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# **China**

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# China

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## SOVIET UNION

### Sino-Soviet Summit Will Not Erase Years of 'Animosity'

40050366 Hong Kong CHIU-SHIH NIEN-TAI [THE NINETIES] in Chinese No 3, 1 Mar 89 pp 46-48

[Article by Yin Huimin 3009 1920 2404: "The Twilight of Ideology"]

[Text] Economic interests have triumphed over ideology, and China and the Soviet Union, as if by prior agreement, have been moved from economic reform to political rapprochement; the ideological disputes and struggles for leadership over the international communist movement which raged like wildfire in the past have not become pale and insignificant.

One month ago, the Soviet foreign minister, after meeting in Beijing with Deng Xiaoping, announced to foreign reporters that China and the Soviet Union would hold their first summit conference in May of this year, at which Gorbachev and the Chinese leaders would formally reach an agreement allowing the "normalization" of relations between the two nations. The Soviet foreign minister's tone in discussing the prospects of "normalization" was extremely positive, while the posture of the Chinese foreign ministry when replying to the questions of reporters was more subdued, as if they were unwilling to overpublicize normalization before it became a fact.

The main reason that there has been no way in the past to "normalize" Sino-Soviet relations is that the Soviet Union had not agreed to the conditions set by China for "normalization," namely, reduced troop deployment along the Chinese border, Vietnam's military withdrawal from Cambodia, and Soviet military withdrawal from Afghanistan. Now the Soviet Union has already withdrawn its troops from Afghanistan, and Vietnam has set a timetable for withdrawing its troops from Cambodia; if only China would stop providing military aid to the Khmer Rouge guerrillas, the Soviet Union would no longer provide military aid to the Phnom Penh regime. At the same time, the Soviet Union already plans to carry out large-scale reduction of its troops stationed in Mongolia and along the Chinese border.

Since the three conditions set by China for "normalization" have already been fulfilled or are currently being fulfilled, it appears that there is no reason to continue the Cold War between China and the Soviet Union. Sino-Soviet rapprochement is beneficial to the easing of international tensions, the stability and prosperity of the Asian-Pacific region, and the economic development of the two nations. The "normalization" of Sino-Soviet relations can also be said to be a natural requirement of economic reform, since the two nations' military confrontation on the border and their foreign economic and military aid to consolidate their respective spheres of influence are a waste of money and manpower.

In the past year, the Soviet Union has taken the initiative in making concession in arms reduction talks with the United States, as well as renouncing military aid to the Afghan government and discontinuing military operations by Cuban troops in Angola, which it had been supporting financially; this certainly shows a very significant change in policy. Supporting its brother socialist regimes has been the Soviet Union's "unshirkable international responsibility" all along. The Soviet Union was certainly aware that after it withdrew its troops from Afghanistan, it would only be a matter of time before the Kabul regime fell, but it withdrew its troops anyway, and even acknowledged semipublicly that sending troops into Afghanistan in the first place, like the United States' sending troops into Vietnam, had been a major policy error. What force compelled the Soviet Union to changes, and even to ignore its "international responsibility"? The answer is obvious: economic interests triumphed over ideology.

That the Soviet Union and China, as if by prior agreement, have moved from economic reform to political rapprochement is also a result of this trend.

The change in economic status of the Asian-Pacific region in the past 20 years has undoubtedly had a very great impact on the two great socialist powers, China and the Soviet Union. The economic achievements of Asia's newly-emerged industrial nations, especially the equalization of income distribution, has theoretically shattered Marx's prediction that capitalist development would inevitably lead to the impoverishment of the proletariat, and thus plant the seeds of its own destruction. Actually, these newly-emerged industrial nations have discovered a vigorous latent economic force, and their achievements have also set an example for other backward nations. The greater their attractiveness, the smaller the influence of socialist nations, because comparatively speaking, the subsequent economic development of socialist nations is slow and stagnant. Therefore, even though after the end of the Vietnam War, the Soviet Union constantly expanded its sea and air power in the Pacific, and its political influence has decreased day by day. At one time in the past, the Communist parties of Thailand, Indonesia, and Malaysia were sufficient to constitute a huge political threat in those nations, and China had a very strong influence on them, but have now all declined.

Viewed from this angle, the ideological disputes and struggles for leadership of the international communist movement between China and the Soviet Union, which has raged like wildfire in the past, have become pale and insignificant. The present situation, with respect to socialism, can certainly be called the twilight of ideology.

Against this background, does the "normalization" of Sino-Soviet relations imply that a tacit agreement has already been reached between the socialist camps? Can we look forward to being able in the future to restore past

prestige through unity? In view of existing circumstances, this does not at all appear to be the case. Since the confrontation between Tito and Stalin and the divergence of trends between Mao Zedong and Khrushchev, the trend toward socialist nationalization has steadily increased, and "nationalization" in which each goes its own way has long since overridden "internationalization," becoming an irreversible trend (with regard to this point, Mao Zedong was to international communist what Martin Luther was to Protestantism). The Soviet Union's recent policy change also means that it has finally acknowledged this fact. And the current economic reform of the Soviet Union and China has actually raised doubts about certain basic principles of socialism which had previously been believed to be universal. This has not only created tension between communist nations (such as the Soviet Union and Cuba), it may also cause interpretation of "socialism" to differ from country to country in the future. The development of "nationalization," behind the surface economic and cultural exchange, is likely to lead in the future to a number of communist regimes each seeking a large number of benefits for themselves. So-called "camps," even if they still exist, are likely to become increasingly loose. In view of this trend, the "normalization" of Sino-Soviet relations naturally cannot have the meaning of an "alliance" as in the past.

China has clearly indicated in agreements and declarations that the "normalization" of Sino-Soviet relations will by no means be directed against any nation (meaning the United States). China, in its contacts with the United States and the Soviet Union, appears to always favor maintaining equidistant foreign relations. It is unwilling to change either the "China card" in the United States' hand or the "China card" in the Soviet Union's hand. In 1984, when Reagan visited Beijing, his speech contained an attack on the Soviet Union, and as a result Chinese authorities refused to broadcast it. This shows China's unwillingness to form an "anti-Soviet alliance" with the United States.

However, equidistant foreign relations also involve a disparity between form and substance. In theory, the triangular relations between China, the United States, and the Soviet Union can maintain equal distance as long as they do not close ranks with one another. In substance, however, foreign relations are premised upon national interests. The triangle in these relations can become an equilateral triangle only when national strength is balanced; China's national strength is unequal to that of the United States and the Soviet Union, while there is also a difference in national strength between the United States and the Soviet Union, and therefore, as far as China is concerned, so-called "equal distant" virtually does not exist at all. In economic development, China has needs, whether for fundraising or for introduction of advanced technology, and the question is which nation is better able to satisfy China's needs; the answer is naturally very obvious.

In the 1950's, due to an economic blockade by the West, China had no choice but to accept the Soviet Union's cumbersome, outmoded equipment to develop industry; by the start of the mid-1970's China had become aware of the advantages of Western industrial technology, and it was naturally impossible to hope to obtain any advanced technological assistance from the Soviet Union, as in the past. Therefore, the economic benefits for China from "normalization" of Sino-Soviet relations are very limited, much less is the Soviet Union still a competitor in the process of economic reform involving introduction of technology from the West and Japan.

After the fading of ideology, what became conspicuous was not only the factor of economic interests, but also various racial, historical, and psychological contradictions. Since the Russians had been conquered and ruled by Mongols in the past, they have historically always subscribed to the so-called "yellow peril" doctrine. Even Solzhenitsyn, in an open letter to Brezhnev, revealed this "yellow peril"-fearing psychology. The Soviet Union's past statements attacking Mao Zedong have also had a strong racist tinge, everywhere mentioning Mao Zedong and Genghis Khan in the same breath, and even holding that if Mao Zedong firmly believed that the Soviet Union would not use nuclear weapons, he would command the army to invade and occupy Siberia. The consciousness of a "yellow peril" is unavoidable even among political dissidents opposed to the Soviet regime. Therefore, no matter how "normalized" Sino-Soviet relations are, this deep-rooted racial hatred and psychological bias cannot be eradicated.

In China's modern history, Russia's attack and occupation of Chinese territory has also been distinctly seen. By the Treaty of Aihui of 1858, Czarist Russia annexed a strip of land north of the Heilongjiang and east of the Wusuli River; the Treaty of Peking of 1860 and the Treaty of Tacheng of 1964 also caused Xinjiang and a large piece of Chinese territory along the border of Russian Central Asia to fall into the hands of Czarist Russia. After the Sino-Japanese War of 1984-1985, Czarist Russia forced the Qing government to conclude a secret treaty allowing Russia to build a railroad across Northeast China to Vladivostok. This railroad (China's Changchun Railroad) was nominally jointly managed by China and Russia, but actually, not only did Russia have a total monopoly of operations and management, the railroad company itself was a Russian colonial government to conclude a secret treaty allowing Russia to build a railroad across northeast China to Vladivostok. This railroad (China's Changchun Railroad) was nominally jointly managed by China and Russia, but actually, not only did Russia have a total monopoly of operations and management, the railroad company itself was a Russian colonial government in Northeast China which not only had its own military force but also collected taxes and managed each city along the railroad. Before long, Czarist Russia used the threat of its naval fleet to force China to lease Lushun and Dalian on the Liaodong Peninsula. At the beginning of the 20th century, Japan and Russia

waged war in order to vie for rights and interests in China, but not long after the war, the two nations concluded four secret treaties, carving out China's north-eastern and northern regions and southern region as their respective spheres of influence and mutually respecting each other's special interests in these regions.

When the Soviet Union's communist regime was first established, Lenin once announced that the Soviet Union would give up all Chinese territories which had been invaded and occupied by Czarist Russia and restore the sovereignty of the Changchun Railroad and all "special interests" with respect to mining. However, after consolidation of the regime, not only were these promises not kept, but moreover, the Soviet Union went a step further and fostered and established a puppet government in Outer Mongolia, and finally made Outer Mongolia independent and became its protector nation. After the end of World War II, the Soviet Union concluded a "Sino-Soviet Friendship Treaty" with nationalist China which not only stipulated that China recognized Outer Mongolia's independence, but also restored the rights and interests which Russia had originally enjoyed on the Liaodong Peninsula but which had been wrested away by Japan in the Russo-Japanese War—including the enjoyment of "special interests" in Dalian and the continued leasing of Lushun Harbor as a naval base. The treaty also stipulated that China's Changchun Railroad would be jointly managed by China and the Soviet Union, and guaranteed the Soviet Union's special interests.

After the establishment of the PRC, Stalin by no means restored the sovereignty of the Changchun Railroad, Dalian, and Lushun to China; it was only after Stalin's

death, when a succession crisis occurred in the Soviet Union, that China took advantage of the opportunity to demand restoration. As for territorial negotiations, China repeatedly demanded that the Soviet Union return the Chinese territory that had been invaded and occupied by Czarist Russia, since this had been the result of "unequal treaties," but the Soviet Union clearly has not assigned the highest priority to the "just demands" of its "brother socialist nations;" its attitude is that the past belongs to history, and that it would be impossible to return the territory.

Judging from the foregoing historical facts, relations between China and the Soviet Union, as far as the Chinese are concerned, are still full of national enmity. National animosity is long-standing, and it cannot be erased by the present "normalization." In contrast, Sino-U.S. relations do not have this background of national enmity. In propaganda in the past, China has criticized the United States for invading and occupying China's territory Taiwan, but Taiwan's sovereign rights have always been controlled in Chinese hands, and the United States has never invaded and occupied one inch of Chinese territory, while "economic colonization" has built a well-clothed and well-fed Taiwan.

China must recognize that it is a second-class power, and that the triangular relationship between China, the United States, and the Soviet Union will not and cannot evolve into an equilateral triangle. Therefore, at this time of the twilight of ideology, Sino-Soviet relations must, of course, be normalized, and Sino-U.S. relations must be "further" normalized. Setting diplomatic language aside, it is in China's long-term national interest to draw close to the United States.

**Marx's 'Altered' View of Socialism During Declining Years**

40050556 Beijing GUANGMING RIBAO in Chinese  
29 May 89 p 3

[Article by Zhang Kuiliang 1728 1145 5328: "Marx's Puzzlement During His Later Years"]

[Text] Revolution was Karl Marx's relentless lifelong pursuit. His whole life was intertwined with revolutionary hope and disappointment. Engels said, "Marx is a revolutionary, first of all. He uses every means to take part in the overthrow of capitalist society and the works of the national systems it has built ...this is really his lifelong mission."<sup>1</sup> Marx participated fervently in the European revolution of 1848, and he spoke highly of the new consciousness of various Oriental countries during the 1850's and 1860's. In DAS KAPITAL, he used his pen as a hammer to sound the tocsin of the annihilation of capitalism, advocating the mission of exploiting the exploiters.

However, in real life, Marx's fervent revolutionary zeal and ardent revolutionary expectations uncaringly vanished into thin air. Beginning in 1849, with the general flourishing of capitalist industry and the increasing stability of bourgeois regimes, the revolution did not move toward a high tide, but rather entered a low trough. The outcome of Oriental revolutions, such as the Taiping Heavenly Kingdom, was anything but wonderful. In 1871, the Paris Commune Revolution aborted, and even the thesis presented in "Criticism of the Gotha Program" about the two stages of a transition period and the development of communist society could not be tested and verified in practice. In 1881, 2 years before Marx died, he finally realized that revolution would not occur. Although this was a painful fact as far as he was concerned, he had to admit it. On 29 April of the same year, in a letter of congratulations to his daughter Jenny on her successful delivery of a child, he had to acknowledge that the revolution was a matter for the future, and that "he had 'aged', and could only predict but not witness."<sup>2</sup>

During this historical period, Marx himself did not have the time for profound introspection; however, his comrades-in-arms and students, Engels, Lenin, and Mao Zedong came to a clear-cut conclusion. Just before his death, Engels wrote in 1885 that "history shows that we and like-minded people are wrong. History shows clearly that at the present time, the state of economic development on the European continent is still far from having matured to the point where capitalist production methods can be uprooted."<sup>3</sup> Nor did Lenin contradict this fact. He said, "Yes, in estimating that the time for revolution was at hand, Marx and Engels ... made many mistakes and were frequently mistaken."<sup>4</sup> On 23 July 1959, Mao Zedong said the following at the Lushan Conference: "Marx also made quite a few mistakes, thinking everyday that a European revolution was at

hand that never came. He thought so repeatedly right up until he died, but it still did not come."

This was, without a doubt, a vexing matter that constantly perplexed Marx, and became the greatest puzzlement in his thinking during his late years. In theoretical matters, Marx was an extremely rigorous thinker who could not abide enormous differences between reality and his theories. In order to free himself from perplexity, during his later years Marx reflected deeply upon and penetratingly explored his earlier theories. In 1878, Marx finally abandoned the writing of DAS KAPITAL, on which he had lavished painstaking care his whole life long, and turned to the study of unfamiliar Oriental society and anthropology. By the time of his death, he had written 30,000 pages of notes and excerpts. It was in this year, in a letter to the editorial department of the Russian magazine, MOTHERLAND CHRONICLE, that he astonishingly restricted the applicability of DAS KAPITAL, pointing out that DAS KAPITAL "is nothing more than an attempt to portray the course of the western European capitalist system's emergence from the feudalistic economic system."<sup>5</sup> It positively should not be changed into "a historical philosophy theory for a general road of development";<sup>6</sup> and change the consistent view of the past, first suggesting the idea that countries with Oriental societies, including Russia, avoid the capitalist road to development. In order to vindicate his own firm conviction, he even said that whoever twisted his views to suppose that all peoples, no matter their historical environment, were doomed to take the capitalist road to development, "I want to beg their pardon. To do so honors me too much, while insulting me too much at the same time."<sup>7</sup> These twists and turns in Marx's thinking were too great. Not long afterward, he maintained that all peoples and nations, including Oriental societies, will go through capitalism to stride into "world history." In this regard, Marx even forgave Great Britain's aggression against India and China, believing that "Great Britain fulfilled two missions in India, one of which was the destructive mission of wiping out an old Asian kind of society; and the other one a constructive mission, namely the laying of the material groundwork in Asia for western-style society." In Marx's view, the westernization of Oriental countries, or making them capitalist, was a form of historical progress that no country could avoid. But now, in a variation of his former words, Marx opined that Oriental societies, which accounted for an overwhelming majority of the world's population and a vast area, could skip the capitalist stage and go directly from backward feudal societies into communism. Marx's precipitous theoretical shift was for the purpose of breaking free from the puzzlement of numerous former forecasts of revolution having misfired, a re-examination of the materialist view of history, and an exploration of the shortest road for the Oriental world's development toward socialism.

Nevertheless, Marx's efforts to free himself from puzzlement were not completely successful. Not only did these



efforts truly not reconcile the contradictions and differences between reality and his own doctrines, but in their wake brought instead a series of new theoretical puzzles. This was conspicuously manifested in the following ways: first, is the history of human society singular or plural? According to Marx's earlier ideas about "world history," as a result of the development of production and the expansion of social contacts, all peoples and nations will break out of an isolated state and be drawn, in varying degrees, into the common stream of world history. Consequently, the general law and course of development for human society is joint and singular. No matter how different a country's specific circumstances and the stage of its historical development, ultimately it will follow the common path of world history. This formed Marx's unified view of history. However, Marx's latter theory about Oriental societies holds that Oriental societies are in an entirely different world than western societies. Historically, they have had their own distinctively Asian production methods corresponding with the western slave system and feudal system; and in the future, they will leap across the capitalist "Kafuding [phonetic] Gorge" [0595 1133 0022 1499 6253] and take the road towards development entirely different from that of the West. Thus, the great unified view of history was demolished, and a pluralist view of history espoused. How can the two be integrated?

Second, does the doctrine of the five great social forms still apply? Marx employed the conditions of social life in a materialist analysis of history to present a general law of social development and an historical process of mutually alternating social patterns. Using this, others subsequently distilled the historical law that productivity decides production relationships, and the doctrine of the five great social patterns. Marx himself expressed this thinking many times. Later in his life, however, Marx's conception of this wavered. In his mind, the five great social patterns applied only to western societies. Since primeval times in Oriental societies, only an Asian production mode consisting of the trinity of public ownership of land, a village social system, and autocratic states forming an organic whole existed. There was no evident distinction between a slave system and a feudal system. In real life, not only did a capitalist system fail to develop, but will ultimately be omitted in the formation of a distinctively Oriental history. Thus, the doctrine of the five great social patterns does not apply to the Orient. Is it necessary to conform to the historical road of development, and can a common social morphological system be derived that applies to most countries?

Third, what is the yardstick for measuring history? According to the materialist view of history, the fundamental mechanism in the development of human society is the contradictory movement between productivity and social relationships and between the economic foundation and the superstructure. Since this is the fundamental law of social development, and also the only yardstick for measuring history, the alternation of the

five great social patterns are deduced from this. However, during his later years Marx asserted that Oriental societies could pass over the "Kadingfu Gorge," his historical yardstick changed. What arose in his mind at this time was not the so-called movement of basic social contradictions, because according to this doctrine, Oriental society can only tag along behind capitalism, developing productivity gradually, building capitalist economic relationships, and taking the old road that the Occident has already traveled. Marx could not countenance this. He focused on only one aspect—namely how Oriental society could avoid "all of the extremely unfortunate calamities caused by the capitalist system."<sup>8</sup> "Not to suffer all the hardships of the capitalist system yet gain all of its fruits"<sup>9</sup> clearly stems from humanitarian considerations, and shows a profound concern for the value of man, and the emancipation of man. Therefore, at this time, humanitarianism is no longer an ethical standard, but has become a yardstick and a point of departure that Marx used to delineate history. Thus, the historical yardstick changed from being singular to being plural, and humanitarian principles were unprecedentedly elevated. What relationship, then, did it have to the measure of forms of production?

Fourth, is socialism rigorously deterministic? According to Marx's scientific socialism theory, socialism is a product of the high development of capitalism, and is, in the final analysis, a product of the contradiction between the socialization of production, and private ownership of the means of production. Only a socialism founded on the complete socialization of productivity and production relationships can be differentiated from and supersede modern scientific socialism. In the foreword to his "Critique of Political Economics," Marx stated clearly that socialism is an extension of the achievements of capitalism in another form, and its mission and character are strictly determined by capitalist contradictions. But in the Oriental social theory of Marx's later years, scientific socialism became distorted. No longer did it grow out of contradictions inherent to capitalism; rather, it evolved from the public ownership system of village society out of concern for humanitarianism under the previous capitalism or incomplete development of capitalism. Such a socialism completely transcended the essential provisions of scientific socialism, or even contained a certain ethical and emotional coloration. Clearly, at that time, it was Marx's belief that socialism was no longer the single pattern it was when he wrote the "Critique of the Gotha Program." It had become plural form, a socialism that had emerged to bypass the "Kafudin Gorge." The former required a confrontation with capitalism, while the latter necessitated the assimilation of the positive accomplishments of capitalism. It was, in fact, a socialism containing positive elements from capitalism. Both these forms of socialism were expounded by Marx at different times, but he did not differentiate and compare them. Under these circumstances, just which socialism should be upheld today? For Marx, socialism was not rigorously deterministic;

thus, successors had substantial choices and creative freedom in the practice of socialism with no need at all to revert to Marx to make practice tally.

Of course, Marx's puzzlement during his later years was simply an exposition of problems. Marx did not have the time to reply before he died. He left his successors a series of question marks, some of which have been answered in practice. It seems that breaking the single, unified linear determinism, and establishment of a plural historical concept and historical concept are probably conclusions that both Marx's exploration during his later years, and more than 100 years of practice provide us.

#### Footnotes

1. *Selected Works of Marx and Engels* Vol 3, p 575).
2. *Complete Works of Marx and Engels* Vol 35, p 179).
3. *Complete Works of Marx and Engels* Vol 22, p 597).
4. *Complete Works of Lenin*, Vol 12, p 362
5. *Complete Works of Marx and Engels*, Vol 19, p 129
6. *Ibid*
7. *Ibid*, p 130
8. *Complete Works of Marx and Engels*, Vol 19, p 129.
9. *Ibid*

**Persecution for Speaking, Writing Condemned**  
40050515b Beijing XIN GUANCHANG [NEW  
OBSERVER] in Chinese No 6, 25 Mar 89 pp 17-18

[Article by Yu Haocheng 0060 3185 2052: "Persecution for Speaking, Writing"]

[Text] Feudal rulers always want their people to be well-behaved and docile subjects, and they do not permit them to have freedom of thought and speech. Therefore, they never quite trust intellectuals, because intellectuals with minds are an extremely big obstacle to their putting obscurantist policies into effect. Thus autocracy and ignorance form a predestined, inseparable relationship. Crimes of thought—making speech a crime and literary persecution (speaking and writing are the forms in which thought is expressed)—were a common phenomena in feudal society. There is no exception to this statement, whether in ancient or modern times, in China or abroad. People only have to look through history to see many legal cases in which intellectuals invited calamity or misfortune with their thoughts and writings. In our country the most famous case is naturally that of Qin Shi Huang's burning the books and burying the scholars alive. Actually the first to discover and use this method to suppress thought and muzzle the people was not this King Zheng of Qin. As a tyrant Zhou Li Wang made his

mark much earlier than Qin Shi Huang. He ordered Shen Wu of the State of Wei to watch over the people of the state, to kill them at will, and to repress speech. Finally, the people of the state, driven beyond the limits of their forbearance, revolted and expelled him. However, the first true case of literary persecution was that of Yang Hui, the grandson of the famous historian of the Western Han Dynasty, Sima Qian. Because the cause of Yang Hui's misfortune, the work "[?Epistle to West River Prefect Sun Hui]," was included in Prince Zhao Ming's "Selected Literary Masterpieces," it was widely read. In this epistle he wrote that, after being dismissed from office he passed his days in drinking and making merry, and with his family sang this ode: "There is a field near the other southern mountain where the weeds were not kept under control. There I planted a qing [1 qing = 6.667 hectares] of beans, whose stalks are now scattered and fallen. Now I make merry. What need is there for riches and honor?" After this epistle was reported as an offense, it greatly angered Emperor Xuan of the Han Dynasty. Yang Hui was charged with the crime of treason and heresy and as a punishment was cut in two at the waist. Why were the above lines deemed such a great offense? According to the analysis made by Zhang Yan, who annotated the "History of the Han Dynasty," the meaning of the lines is:

"The field as high as the sun is an image of the monarch," and "weeds not kept under control" is an image of the turmoil at his court. A qing is 100 mu [1 mu = 0.06667 hectares] and so is a metaphor for the 'one hundred officials,' that is, all the officials. "The bean is a straight plant, and the scattering and falling of bean stalks in the field is a metaphor for being abandoned. The meaning of the crooked beanstalks is that all the officials at court are flatterers." This is tantamount to guessing and fortune-telling. This method of "framing up" and "raising an issue to the level of principle or line" set a precedent for all later literary persecutions. The trick used in the "Black Terrace Poem Case" of Su Shi, a famous writer of the Sung Dynasty, was exactly this type of trick. Not long ago, because it was used time and again in the "great cultural revolution," this kind of trick reached a ridiculous degree (for example, criticism of so-called black poems and black paintings), the lingering fears about which remain fresh in the memory today.

Kong Rong and Ji Kang of the Kingdom of Wei and the Jin Dynasty, and Gao Qi and Li Zhi of the Ming Dynasty, were famous persons who were killed because of the ideas they put in writing. In Europe during the Middle Ages there was a despotic religious tribunal for thought crimes. Campanella, one of the earliest prophets of communism and the author of the famous work "City of the Sun," suffered inquisition by the most fearful tortures and then was imprisoned for 33 years. Because he maintained the scientific truth that "the earth revolves around the sun," Bruno was considered to have run counter to religious doctrine and he was burned alive in Rome's public square.

Gong Zizhen, a prominent thinker and writer of the Qing Dynasty, had a line in one of his poems: "Rising from the mat I fear to hear of literary persecution; writing books is a scheme for getting rice and millet." Particularly in the Yong Zheng and Gan Long periods of the

Qing Dynasty, the bitterness of the rulers' motives, the savagery and cruelty of their ways of punishing people, and the number and newness of their tricks far exceeded those of previous dynasties. Probably only the large-scale restoration of feudalism in the name of the "great cultural revolution," which occurred not long ago, is comparable. People clearly remember that this eternal calamity precisely began with the criticism of a new historical play, "Hai Rui Dismissed From Office." The unexpected reason for this was: "Emperor Jia Jing dismissed Hai Rui from office, and we dismissed Defense Minister Peng Dehuai from office; Peng Dehuai is Hai Rui"! In succession there was a series of literary persecutions in which Luo Ke [5012 0344], Zhang Zhixin [1728 1897 2450], and other CPC members, revolutionary cadres, and members of the masses were killed although they were innocent of any crime. In the later stages the degree of absurdity and oddity in criticizing the "Three Upper Peach Ridges" and many "black poems and black paintings" exceeded that of past ages.

Concerning the literary persecution by the Qing court, Mr Lu Xun wrote "Estrangement," "The Story of Buying 'Little Xue and Big Quan,'" and other universally praised essays. In these essays he recommended that the "Archives of the Literary Persecution in the Qing Dynasty," which had been printed and distributed by the Palace Museum in Beijing—at the same time he mentioned the "East China Records," "Comprehensive Compilation of Imperial Rescripts," "Imperial Edicts to the Eight Banners," "Imperial Rescripts, Edicts, and Decrees of the Yong and Zheng Periods," and other books, "be collected by persons of high aspirations and determination, who would then, one by one, examine them, separately placing in parallel those passages concerning the control of the Han people, the criticism of authors, and the use of literature and art, and then compile them into one book. If this were done I think not only would we see the broad extent and villainy of this tactic, but also we would come to understand why we have been subdued by the masters of other races and nations, as well as the origin of our servility, which remains to this day." He went on to say, "Naturally, this would not be as interesting as reading the works of intelligent writers who are admired; however, from it we would come to know a little bit about the historical development of today's so-called intelligent writings, and this would be highly beneficial."

Mr Lu Xun wrote these words in 1934, and since then more than half a century has passed. However, in recent times we have seen Mr Huang Shang's [7806 5951] "Collection of Discourses on the History of Writers on Whom Misfortune Has Fallen" (published in January 1988 by the RENMIN RIBAO Publishing House) as well as the book "Literary Persecutions by the Qing Court" (soon to be published by the Masses Publishing House). I am always delighted to read Mr Huang Shang's articles. His profundity of view, broadness of knowledge, and wittiness and fluency of writing make people read them with keen interest. They enlighten people, who get many

benefits from them. Unfortunately, he only discusses several cases, and it is not a complete history of the literary persecutions during the Qing Dynasty. The book "Literary Persecutions by the Qing Court" is, by comparison, a little more systematic. For the reader who wants to see the complete picture of literary persecutions during the Qing Dynasty, I think it is of greater benefit. In addition, I have one insatiable craving. I hope that someone will, from the book "A History of the Ten Years of the 'Cultural Revolution,'" which was jointly written by Gao Gao [7559 5264] and Yan Jia [0917 1367], extract those parts on literary persecutions and write a "History of the Ten Years of Literary Persecutions During the Cultural Revolution." I even more hope that some one will write a "History of the Misfortunes That Have Fallen on Chinese Writers." History is a mirror. Let us learn from history, conscientiously sum up historical experiences, comprehend how difficult it is for people to attain democracy and freedom, and understand how many sacrifices our forerunners had to make before we got today what can only be called the "initial stage" of democracy and freedom! The revolutionary teacher Marx said: "Without freedom of the press, all the other freedoms are bubbles." President Jefferson, an American bourgeois statesman, said, "Our freedoms depend on freedom of the press, and restricting freedom of the press means losing our freedoms." Here, freedom of the press and freedom of speech, freedom of information, all have one meaning—namely, to express opinions. Of course, if someone says, "the weather is good today," this statement does not become a problem. The problem lies in the expression of political views. Up to this day, isn't the question "can political issues be discussed?" still a question that has not been made completely clear? "When observing the present one should learn a lesson from the past." Let us truly draw a lesson from the bloody history of the literary persecutions in the Qing Dynasty, and then make a joint effort to see that the years in which speech was made a crime and writing invited disaster will always remain things of the past in history.

(Written on 4 May 1988, the 69th anniversary of the Great May Fourth Movement.)

#### **Scholars Discuss May 4th Movement**

OW2705135189 Beijing GUANGMING RIBAO  
in Chinese, 5 May 89, p 5

[Text] "China's New Cultural Movement: Retropection and Prospect" was an academic forum sponsored by the social sciences development and research center of the State Education Commission. The forum, held at Beijing University between 10-13 April, was part of the activities of the universities and colleges in the nation to mark the 70th anniversary of the May 4th Movement. Extensive discussions on the topic of the May 4th movement was held among 90 delegates who took part in the forum.

#### **1. On the historical assessment of the "spirit of May 4th" and on the May 4th Movement itself.**

Most of the participants held that the May 4th Movement was a thought enlightenment, patriotic, anti-impe

rialist, and anti-feudalist movement. The spirit of "May 4th" is science, democracy and patriotism. Regarding the spirit of science and democracy in the May 4th period, Liang Zhu [2733 2691] held that the kind of democracy advocated by Li Dazhao and his likes in the period of the "May 4th Movement" was not like democracy in the period of the French Revolution; what Li Dazhao and his likes advocated was a new democracy which was associated with the age of socialist revolution. The early communists in the May 4th period set socialism as the goal of struggle; they brought about a change in the meaning of democratic slogans which were introduced to China from abroad before the May 4th Movement. While expounding on the spirit of science and democracy, Zheng Hangsheng (6774 2635 3932) made a passing analysis of modern democratic system in the West. He said three forms of democracy characterize the modern democratic system of Western countries; they are direct democracy, parliamentary democracy, and constitutional democracy. Progressive thinkers before the May 4th period chiefly yearned for the three types of democracy. Democracy has varied connotations according to different historical periods. Advocacy of democracy in the May 4th period was for the purpose of overthrowing feudalism and despotism. Our call for democracy today is to further perfect socialist democratic system; we will not abandon socialist democratic system, nor will we revert to various types of Western democratic systems. Wang Shubai [3769 3412 4101] said: The semi-colonial and semi-feudalistic nature of contemporary Chinese society determines the simultaneous birth of the enlightenment movement marked by anti-feudalism and the birth of the national salvation movement characterized by anti-imperialism. The biggest boost of national salvation movement to the enlightenment movement was the spread of Marxism in China. The reason that the enlightenment movement was forced to take a tortuous road since "May 4th" is because after the failure of the great 1927 revolution, the reactionary government of Kuomintang established a one-party authoritarian rule which suppressed the enlightenment movement. As to the argument whether the May 4th movement was a totally anti-tradition movement, Gui Zunyi [2710 6690 0034] said it is extremely incorrect to sum up the spirit of the May 4th as "totally anti-tradition." The May 4th intellectuals, when criticizing traditional Confucian school, did not totally negate the traditional Chinese culture. Also, people at that time did not violently and totally negate the Confucian school. Some comrades are of the opinion that the social concern at the May 4th period was how to shake off the shackles of tradition, and not how to inherit the tradition. The criticism of the May 4th intellectuals on feudal ethics marks the awakening of the subjective consciousness of contemporary Chinese people.

After fully affirming the historical contributions of the May 4th Movement, some delegates also pointed out the historical limitations of the May 4th Movement. Luo Fuhui [5012 4395 1920] and others said that "single value concept" held a dominant position in the May 4th period. The single value concept not only over emphasizes the role of morality and theory to the detriment of belittling actual

situations and neglecting operational processes; it eventually must lead to intolerance of heresy; people with single value concept tend to think that they are the embodiment of truth and that other theories are worthless; this kind of concept breeds polarization. In the new cultural movement, China's social thought had been entangled in, in term of space, "the argument between whether opting for Chinese or Western way," and, in terms of time, "the argument for tradition or for modernness."

## 2. On Marxism and traditional Chinese culture:

Delegates at the meeting said the greatest historical achievement of the May 4th Movement is the spread of Marxism in China. The May 4th period was a period for the Chinese to choose between Chinese or Western culture. That Marxism, among many other Western thinkings as the only ideology accepted by the Chinese, has its historical roots. Zhu Yuhe [2612 5148 0735] and Cai Lesu [5591 2867 5685] held that the rise of the new cultural movement had much to do with the introduction of modern bourgeois culture from abroad; modern bourgeois culture had been the ideal for and goal of the new cultural movement. However, a crisis befell foreign bourgeois culture at that time. The synchronized arrival of the Western culture, with the crisis of the Western culture, and the collision of the new cultural movement with the crisis of the Western culture were the important reasons for intellectuals in the May 4th period to choose Marxism. Lin Huanfen [2651 3183 5358] was of the opinion that after the introduction of Marxism to China, Chinese Marxists were also circumscribed by traditional Chinese culture when they tried to mix Marxism with Chinese historical reality. The reason why Marxism was accepted by the Chinese at that time is that it identifies with some of the important areas in traditional Chinese thinking. After "May 4th," many progressive intellectuals in China decided to take the Russian road. To many Chinese intellectuals at that time, prospects of communism described by Marxist teachings had a certain sense of identification with the idea of the "Great Harmony" in the traditional Chinese thinking. Li Weiwu [2621 4850 2976] said that the spread and development of Marxist philosophy coincided with the rising tide of advocating scientific development. Therefore, the development of Marxist philosophy was closely related to the tide of scientism. It can be explained by the following: first, Chinese Marxists tend to treat Marxist philosophy not as "metaphysics," but as "science;" second, in the course of development, China's Marxist philosophy has the strong tendency of stressing epistemology and methodology. Third, the tendency of over emphasizing scientism leads to a one-sided understanding of Marxism, which, to be sure, played a positive role in the past, but lately presented China's Marxism philosophy with lots of unsolved problems. To promote the development of Marxist philosophy in China, we must do away with the tendency of overemphasizing scientism. Some comrades hold that Marxism is inseparable from the humanism of Europe in 17th and 18th century. What with a lack of modern humanist tradition in China's history and without a stage of industrial revolution in contemporary Chinese history, the Chinese understanding of Marxism cannot be expected to attain the realm of the founder of Marxism.



### 3. On debates over the oriental and the occidental cultures and the building of modern Chinese culture since the May 4th Movement

Westernization and modernization have been the same old topics of cultural controversy for a long time in recent years. Mr Ji Xianlin [1323 5029 2651] maintained that China has been on its way toward Westernization since the middle of 19th century, and has deepened the extent of its Westernization during the initial stage of socialism. Considered in the light of the needs of China's social development and the cultural exchanges of the world, Westernization is unavoidable. Westernization is not a bad thing. However, when we look at the actual conditions of the cultural development of the oriental countries, such as Japan, total Westernization is impossible for a nation. Therefore, total Westernization is an unrealistic illusion. It is necessary to learn from the West. The good things in Chinese culture must, likewise, be carried forward. We should not morbidly belittle our own culture. Mr Wang Yao [3769 3852] was of the opinion that the new cultural movement since the May 4th Movement has been a process of carrying out modernization in China under the situation of the world and by using foreign experience for reference. It will never do to carry out total Westernization, nor will it do to entirely stick to and preserve our own culture.

In the past, when people were studying the new cultural movement during the period of the May 4th Movement, most of them concentrated their attention on the new cultural movement itself, which was advocated by Chen Duxiu and Li Dazhao, and paid inadequate attention to studying the "May 4th Movement" and other schools of thought emerging in the debates over culture during the later period of the May 4th Movement. Zheng Shiqu [6774 1597 3255] and other delegates analyzed the trend of thought of "conservatism" which had emerged during the period of the May 4th Movement. Its leading exponents were Liang Shuming [2733 3359 0388] and Du Yaquan [2629 0068 3123]. They held that, like the rise of the new cultural movement, the rise of the trend of thought of conservatism during the period of the May 4th Movement was an indication of deteriorating social and ideological crises in the spheres of ideology and culture after the Revolution of 1911 [the Chinese bourgeois democratic revolution that was led by Dr Sun Yat-sen and overthrew the Qing Dynasty]. It was a choice made by intellectuals for a way out for Chinese culture at a time when both Chinese and Western cultures were seriously in want of exemplary models. Though it appeared backward when compared to the new cultural movement, such a comparison cannot be equated with theoretical correctness or mistake. The cultural conservatives' positive assessment of the peculiarities of our national culture, their criticism of the shortcomings and abuses of Western culture, and their encouragement and development of some good parts of Chinese culture are valuable because in some places we can learn from them. The cultural conservatism and the new cultural movement promoted and influenced each other in both sides of the debates assimilated the viewpoints of the debates over cultures during the May 4th Movement.

their opponents to enrich their own theory. With regard to the topic of new Confucian scholars and China's modernization, Fang Keli [2455 0344 4539], Li Zonggui [2621 1350 2710], and Zheng Jiadong [6774 1367 2767] maintained that the modern new Confucian scholars' belief in giving top priority to the major importance of a man's moral ethics and basing the judgment of the value of all the activities of a man on moral principles is obviously a backward ideological theory that lacks the spirit of modernization in the present age when the individual characteristics and creativity of a man need to be fully developed. However, the new Confucian scholars have also raised a number of issues that must be faced squarely by us. Reassessing the value of the spirit of Chinese culture, building a modern Chinese culture in the course of modernization, and how to properly understand the historical experience of Confucian scholars' capitalism are the issues that we must face squarely.

#### Some delegates analyzed current Chinese culture at the present age

Through an analysis of seven aspects, including cultural and geological distribution of residents in our country, the level of the press media for the masses, the cultural attainments of those who are in the higher stratum of society, and educational forms, Meng Xianzhong [1322 2009 1813] pointed out: The quality of our national culture is getting lower and poorer quickly. Cultural crisis will inevitably lead to national crisis. China's real way out from a low-lying valley of cultural crisis lies in implementation of rational policy on promoting the development of education and culture and improving the cultural attainments of all the Chinese people. Huang Xinya [7806 2450 0068] believed that the historical trend of modernization is changing the traditional social structure of China, that Chinese intellectuals of our time are seized with fear and in great pains for want of cultural models to look up to, that the historical mission faced by the intellectuals is to convey the concept of modernization to the masses, and that the Chinese intellectuals of our time must shoulder this historical responsibility. Ge Jianxiong [5514 0494 7160] maintained, in spite of the fundamental changes have taken place in our social system, and considerable progress has been made in promoting our production, there is still a long way for China to go to achieve the objectives of democracy and science as the remaining feudal concepts and practices still prevail to considerably serious extent. Considered in the light of historical experience, the dissemination of any kind of new culture is inseparable from the support of political force. The basic reason why dissemination of the new culture advocated by the May 4th Movement made such slow progress in China is that the new culture, which incorporated democracy and science as its principal part, did not get sufficient support from political force. The fundamental means for China's modernization is to make vigorous efforts to promote political reform and carry out democracy step by step and level by level.

#### Academic Interviewed on Collectivism

HK1505150389 Beijing JIEFANGJUN BAO in Chinese  
2 May 89 p 3

["Is Collectivism Still a Moral Principle We Should Promote?—Professor Luo Guojie Answers Questions from our Editor Xu Haijun 1776 3189 0971"]

[Text] During the new period when moral education is being strengthened the relationship between the individual and the collective is a topic of much discussion. There are quite a lot of profound opinions and heated disputes, and also ideological confusion, concerning this subject. To help our readers approach the subject further we asked the head of the China Institute of Ethics and professor at the People's University of China, Comrade Luo Guojie, for advice.

#### How Do We Assess the Proposed Principle of Collectivism

Question: Collectivism has been the moral principle proposed by our party but in recent years people have found the principle did not seem as justifiable when they reassessed it. What do you think of that?

Answer: When the reform is under way it is undoubtedly necessary to reassess the previously proposed principle of collectivism.

It goes without saying that because the cultural tradition formed in China's feudal society of placing a much greater value on the collective and restraint, rather than on the individual and freedom, still affected the proposed collectivism, for quite a long time we closely followed the collectivism practiced in the Soviet Union under Stalin, which featured a high degree of centralization of state power. We were influenced by "Left" ideology for a long time and failed in many aspects to grasp collectivism in its original Marxist connotation with the result that our collectivism was distorted. To sum up, there were three problems: first, collectivism was to a certain degree reduced to a theoretical excuse for practicing totalitarianism and autocracy, becoming a theory with which a few people suppressed democracy and personal freedom; second, we set personal interests against collective interests, placing undue emphasis on collective interests to the neglect of personal interests; and thirdly, the personal drive to act as master of one's own country, the pioneering spirit, and the initiative to blaze new trails were seriously suppressed and dampened with the result that everyone became submissive.

The above maladies found clear expression in the anti-rightist movement and later in the "Cultural Revolution." They also find expression in the current reform. Reform and developing the commodity economy call for initiative and vitality on the part of the individual. It is therefore necessary for us to reassess the nature and the implication of the relationship between the collective and the individual and to put the two into a correct relationship. If we fail to understand the principle of collectivism as required by Marxism, and correct the deviations made in the past, the maladies are bound to prevent people from emancipating their minds, updating their concepts, and bringing their initiative and creativity into play. This weakens the prestige of the principle of collectivism and its being regarded as a virtue in social life.

Question: In the light of the past maladies, from which aspects should we reflect upon the principle of collectivism?

Answer: First of all we should get a clear understanding as to what kind of "collective" the principle of collectivism actually refers. The collective we refer to must be the "real collective" mentioned by Marx and Engels rather than a "fabricated collective." A real collective must really serve the interests of the vast majority of the people instead of a handful of people. Only when we are able to render our collective more and more genuine can people have faith in the principle of collectivism.

Second, what deserves considering is how the principle of collectivism recognizes the personal status, including individual character, dignity, value, rights, personal struggle, self-realization, self-design, and so on. According to Marxist collectivism the relations between the collective and the individual preserve dialectical unity. The collective interests naturally come first. They should embrace most personal interests rather than go against them. The collective should constitute the essential requirements rather than shackles for individuals to look to their own interests. To make necessary self-sacrifices in the interest of others and of the collective should be considered as a noble form of self-realization. In the past we tended to ignore personal just rights and interests when interpreting the principle of collectivism. We should now affirm the status of personal vitality while emphasizing the collective interests and defining the dialectical relations between personal vitality and collective vitality from a brand new angle.

#### Can Western Values on Individualism Be Imported?

Question: When reflecting upon the principle of collectivism some people are reassessing individualism and maintain that individualism does not amount to egoism. They want to clear the name of individualism. Do you think this justifiable?

Answer: According to the views of those who want to "rehabilitate the reputation of individualism," individualism differs from egoism mainly in that it recognizes and respects other people's rights and interests while emphasizing their own. That is, they do not seek personal interests at the expense of others, as is required by the law.

Egoism, especially ultra-egoism, is disdained throughout the world while individualism has much appeal for many people. It is not surprising that some people try to distinguish between the two and rehabilitate the reputation of individualism. In Western documents there are various interpretations of individualism. However, either in the early years when individualism was born or when it was in vogue the individual always constituted the core of the values on individualism. In fact, many Western thinkers believe that individualism is inseparable from egoism and both individualists and egotists advocate egoism, regarding personal interests as their starting point and personal well-being as their final

objective when dealing with the relations between themselves and others. They also consider this as an absolute yardstick by which to judge good and evil.

Question: In that case can we say that individualism and egoism come from the same source and are directly interlinked?

Answer: It can be said. In recent years some comrades who tried to clear the name of individualism have obviously ignored the close relationship between individualism and egoism and the inevitable outcome. That is, when the individualist emphasizes personal status and role, he is bound to place, conscientiously or otherwise, personal interests above collective ones. Again, as soon as he plays down the collective's status and role and fails to adopt a proper attitude toward the collective, he who says that his individualism is different from egoism will inevitably lapse into egoism.

Question: Individualism is still very popular in the West. As seen against the historical background it played a special role in promoting the modernization of Western countries. Since it is necessary for us to make use of the historical experience of developed countries in our effort to build China into a modern country, why is it that we cannot assimilate their values on individualism?

Answer: The problem is that we should not overlook the soil, that is, the civilization, from which individualism was born. The well-known British historian Toynbee pointed out that the agent which does no harm, or even does good, in one civilization system is likely to be a deadly danger in another system because there is no corresponding mechanism to restrain it. "One man's meat" is probably "another man's poison." Toynbee's outlook on civilization is undoubtedly justifiable in a sense and helps us to understand the problem of the mechanism restraining individualism in different civilization systems. As there used to be a tradition of emphasizing personality in the West, a comparatively sound legal system, a better quality people, and a capitalist social system based on private ownership in particular, it was entirely possible for the individualism which grew from Western civilization to be compatible with other agents, which were conditional on each other, so that it grew into an important driving force for Western society in a certain development phase.

The situation would be different if we transplanted this individualism into China which represents Oriental civilization. China's traditional society lacks the individuality consciousness but has never lacked the narrow and selfish peasant consciousness. This will very easily enable people to identify themselves with the most harmful aspect of individualism and change the components which constitute the negative part of Western individualism into an imposing theory safeguarding narrow selfish interests. In addition, the tendency to place greater emphasis on the collective than on the individual, which is practiced in China's society, has double

implications: on the one hand people fail to adequately display their personality within the bounds prescribed by the law; on the other, they fail to pursue their own interests by abiding by the law and without infringing upon the society's and other people's interests. If you think that Chinese people only lack individuality consciousness and never lack collectivity consciousness in its true meaning—a collectivity consciousness which enables one to conscientiously identify oneself with the entire collective or entire society—you are also mistaken because this does not conform to reality. In fact, Chinese lack collectivity consciousness as interpreted by Marxism and individuality consciousness.

(The interviewer added: Possibly the onlooker sees the game best. An article carried by a newspaper in Hong Kong last year analyzing individualism in the interior can exactly serve as an evidence for your analysis. The article noted: "Individualism in China's mainland is not based on affirming the value of the individual from the outset; instead, it is based on negating collectivism and idealism. This individualism affirms the individual rather than the value of the individual. The individualist does not see other 'individuals, save himself.' The individualist will not restrain himself until 'he is arrested.'")

#### Is It Reasonable To Regard Individualism As an Ethical and Moral Base for Socialist Commodity Economy?

Question: Some people maintain that individualism is the essential basis for commodity economy. It seems that commodity economy will not develop without the guidance offered by individualism. Is that true?

Answer: In the current world the economies of various countries are increasingly closely related and the environment found in the initial stage of capitalism in which individuals could enter into free competition has, to a greater extent, been replaced by mutual economic changeovers and restraints among various countries. This represents the strengthening of the state's capability to intervene in and direct the economy. Given the situation it is necessary for even capitalist countries to rely on, to a considerable degree, the spirit of going all out to make the country strong and the powerful national centripetal force and self-confidence on the part of their nationals, rather than individualism, to develop their economies. Japan, the FRG, and South Korea have followed this path since the Second World War. Therefore, even the capitalist commodity economy does not owe its success to the guidance offered by individualism.

We are now developing the socialist commodity economy which takes common prosperity as its final objective. It is therefore more necessary to oppose individualism which only values the individual to the neglect of the collective and it is more absurd to regard individualism as the moral basis for the socialist commodity economy. Socialist collectivism views the collective and

the individual in a different way from individualism. It believes that the society and the individual can only make progress simultaneously by means of the collective force. Specifically, only by means of collectivism which upholds common prosperity and perfection can we unite the whole nation, minimize our difficulties, and push the on-going arduous reform to final victory.

In a word, we should on the one hand soberly ponder over past deviations made in exercising collectivism. On the other hand we should not replace collectivism with individualism or egoism just because of those deviations. The conclusion is clear: collectivism remains the principle the whole people of our country should observe at present and in the future!

## NATIONAL AFFAIRS, POLICY

**Economist Zhao Lukuan's Comments on Reform**  
40060541 Beijing JINGJIXUE ZHOUBAO in Chinese  
9 Apr 89 p 2

[Article by Xue Manfeng 5641 3355 7364: "Profound Reflection on the Way of Thinking in Reform, a Visit With Zhao Lukuan, Vice President of Labor Affairs Institute, China People's University"]

[Text] *Editors note: Reform has entered a stage of rectifying the economic order which is also a stage of reverse thinking. Where should we start from in profound reflection concerning reform of the economic structure? We brought questions to economist Zhao Lukuan [0525 0520 0086 0057] concerning this temporary stopping point affecting economists.*

### I

Zhao Lukuan pointed out that reverse thinking should start from the basic problems in thinking. The way of thinking is related to how the reform advances and is the starting point for drafting the general plan. At the present time there are four issues related to the basic thinking process where we need a new understanding.

The starting point and stopping point of reform.

#### A. "Delegation of authority to yield benefits" is not just a stepping stone for entering into reform

The depth of China's economic structural reform depends to a large extent on our level of understanding of the commodity economy. At the beginning of the reform we took a step forward with "delegation of authority to yield benefits" in the confines of the commodity economy. This specific method is simply the division of authority and distribution in management. The reason for this is that at the time people were only seeing the corrupt practices on the surface of the commodity economy: highly concentrated management; overly strict control; and no enthusiasm in localities, enterprises, and workers due to a lack of material incentives. At that point no one thought that the commodity economy would replace the product economy. After analyzing the cause and effect relationship of "delegation of authority to yield benefits," Zhao Lukuan pointed out that overly strict control is indeed a major abuse of the product economy, but the most prominent current problem is whether or not "delegation of authority to yield benefits" can continue to hold the major role in the reform's basic mode of thinking. At the current time the product economy's operating mechanism, goals, and authority structure are all experiencing change while the commodity economy's operating orbit is still in the embryonic form. The co-existence of these two types of mechanisms often lead to the pitfalls of "chaos as soon as authority is delegated" and "stifling caused by excessive control." This shows that "delegation of authority to

yield benefits" is very limited and that its role in getting reform started is over and will obviously not again be the basic way of thinking for profound reform.

#### B. The "dual-track system" may drag down the great cause of reform

Isn't the "dual-track system" a necessary path to take in the reform of the economic structure? Zhao Lukuan disagreed with the point posed by this question. When discussing the many corrupt practices created in the last few years with the "dual-track system" he said that during the second stage of reform we proposed the tentative plan to "bring in market mechanisms." This reveals the people's doubts concerning the product economy and the hopes they place in commodity economy. However, this is not the case of having the commodity economy replace the product economy, it is just the "utilization" of certain mechanisms in the commodity economy. Putting market mechanisms into the period just mentioned is merely having a "combined" mode of thought for the product economy and commodity economy. The specific method for this is the "dual-track system" which takes identical type products or key products and distribution areas and divides these into "internal planning" and "external planning." Based on this reform model, the market sectors were opened up but because the market mechanism had not taken shape it resulted in loss of control in prices, a swelling of requirements, unreasonable distribution of income, and other chaotic situations. Something that needs to be stressed is that in the area of operating mechanisms the product economy and the commodity economy are diametrically opposed and are not mutually compatible. The "dual-track system" combined these two mechanisms that are incompatible as fire and water with the result of the unified control necessary in the product economy being destroyed by market competition in production and market competition needed by the commodity economy being destroyed by the unified control of the product economy. In the area of distribution of resources, the user's products and key element of free movement destroyed the unified transfer of resources needed in the product economy while this unified transfer destroyed the free movement necessary for the commodity economy. In the distribution of income, market distribution destroyed the unified distribution with above needed by the product economy and this same distribution from above destroyed the market distribution necessary for the commodity economy.

The dual-track system confused the reform goals and methods and its negative effect on the reform became increasingly evident. Take reform of the price structure for example. The goal of this reform was to create a new structure where the market decided prices, the commodity market deciding commodity prices, interest rates being decided by the funding market, and the labor market determining wages. The methods used to gradually reach the goals of the reform are first to relax the market and prices of those products that affect people



the least and that had the greatest flexibility in supply and demand. After this the market and prices of articles for daily use and the most important means of production would be relaxed. However, the government officially allowing one product to have two types of pricing methods runs counter to the original intention and disrupts market growth which leads to imbalances in the area of circulation, profiteering using price differences, and creates chaos in the economic order, and also causes unfavorable inflation of overall price levels. In summary, the final outcome of practicing the "dual-track system" will be that the operating mechanisms of the product economy will not work properly and the operating mechanisms of the commodity economy will not be satisfactorily established causing both types to fail. For this reason the illusionary way of thinking concerning the "dual-track system" should be quickly discarded.

How should we go about establishing market mechanisms that are feasible and in the proper order? Zhao Lukuan proposes that we first allow free movement of products and key elements and only after this is completed pass down decision-making authority for pricing and wages. In the process of changing tracks, market development is gradual and excessive. We must not have the one product two prices (government stipulating a low price and the market creating a high price) "dual-track system" but should use products and the key elements of production as a unit and use the situation of supply and demand as a base to nurture some and open up others.

**C. The planning mechanism of the product economy must be changed to a planning mechanism for the commodity economy**

The fragmented method of "combined" thought has been negated, but this does not mean that the thought of combining the two types of systems is completely negated. In the combined thinking of these two "permeating type" of mechanisms, disputes still exist concerning their mutual relationships in "planning" and the "market." In the long run planning will be regarded as the patent of the product economy while the commodity economy will seem to have no reason for planning. Zhao Lukuan believes that this view is not suited to the momentum of the modern commodity economy.

—Planning of the commodity economy is actually the government just drawing up policy goals for itself during adjustment of the market. This does not require "passing down" to enterprises and workers. The government guides enterprises and workers by the means of controlling and readjusting the economic parameters and laws causing their actions and results to suit the policy goals and planning requirements. However the government does not use administrative measures to directly alter the actions of enterprises and workers.

—Planning of the product economy is the government using administrative measures to directly control the actions of enterprises and workers. This has the actions of the enterprises and workers stipulate goals so their actions and the results suit the planning requirements.

After laying out the differences between the two planning mechanisms he stressed that the deepening reform must change from a planning mechanism of the product economy to a planning mechanism of the commodity economy. If "planning" directs the state in formulating its own policy goals, then this reform thought is seated in the model or replacing the product economic system with the commodity economic system. If "planning" is for the state to formulate actions and goals for enterprises and workers, then this reform thought is seated in a "combination" of these two systems. Only by not using direct government intervention and adjustment in order to change the scope of actions for enterprises and workers can the commodity economy be fully allowed. After this shift, only with mechanisms being more beneficial for macroadjustment and control and microstimulation can production receive necessary guidance from the market, enterprises have a self-binding force when they begin operation, and only then will they strive for results from expenditures and consider the long-term benefits of their actions.

**D. Reform the old power structure, establish a new power structure**

The reform of China's income mechanisms has stagnated for such a long period because the distribution of income is related to the rights of other areas. The rights structure of a system is the foundation of that structure's deepest layer. The system of the commodity economy and the product economy cannot be combined, the root cause of this is that the two systems have rights structures that are incompatible. Whether or not the reform should touch the original rights structure is the most profound problem that must be solved in the reform and is a question that I want to answer in particular.

Reform of China's economic structure has gone through a setback with the "dual-track system." People have gradually learned that only by thoroughly abolishing the product economy order and establishing a commodity economic order can chaos and imbalances be overcome and the social economy attain stable development. With insufficient operating mechanisms and labor from top to bottom for goals, the first thing that must be done is to construct a rights structure for the commodity economy.

In the construction of a new rights structure there are three issues that need clarification.

The aim should be to separate ownerships and management rights, legal ownership rights should be given to enterprise managers so they can become true managers. The contract management responsibility system currently in effect in China has created a partial separation of ownership and management rights in state owned enterprises. Continual use of a product economy for over 30 years has in actuality been a system of just production not "management." There was no separation of its legal ownership and final ownership, the state acted as the ultimate owner of the "funds" of a billion people and

directly organized production. In the product economy a situation existed where no one was responsible for public owned assets and the proliferation of these assets and the government acting as an administrative organization unable to assume the function of a production manager. This being the case, can the commodity economy conditions use the old rights structure and give responsibility for management functions to the state which at the same time is the ultimate owner? It has been proven in practice that this is unsuitable. Now we are trying hard to give management authority to enterprise contractors through various economic contract methods but the contractors don't have the authority to allocate all the assets and therefore do not have total management authority. Because of this, during the deepening of the reform our thinking cannot linger on the stage of the contract system. The reason for this is that in the most fundamental rights structure the goals of owners and managers are identical with these two components working for the same interests. No matter if these are separated or combined it will not effect the authority relationships between the government, owners of capital, and workers. We cannot call this the deepest layer of reform in the rights structure reform.

Separation of individual workers from managers and from corresponding owners is an inevitable result in the development of society's division of labor. Under the conditions of socializing production the functions of managers have become specialized and people with special talents are needed to perform this work. Workers cannot possibly get a complete grasp of the knowledge needed for production, management, and supervision, and they also cannot possibly deal with the fast changing market. Therefore, workers cannot be expected to shoulder the responsibility for management. Under the conditions of the modern commodity economy the collective management of workers has caused workers and managers to be recombined which has resulted in a blurring of managers and workers interests. This blurring has caused the relationship of having one losing out and the other gaining in wages and profits changing to where particular things improve with the improvement of the general situation. This has caused enterprises to deviate from profits being their main operating goals to slanting towards wages being their main base. This "slanting" and "deviation" is bound to disrupt market mechanisms, create a swelling of demand, cause wages and prices to spiral upwards, and inflation to occur. Proper goals and actions of enterprises and workers depends on a proper relationship of rights between these two. Constructing a separate rights structure for workers and managers is one of the fundamental links in the reform needed for proper operating goals for enterprises and workers, perfecting operating mechanisms, and for establishing a new commodity economic order. During China's reform stage mentioned above due to stress being put on management being done by workers the increase in profits realized by enterprises merely resulted in the workers and staff of that enterprise being benefited while there was a bad effect on the whole of society

because of rising prices (according to a survey the high standard of prices was primarily caused by enterprises increasing profits). This is clearly not a modern commodity economy but a separatist economy.

Separation of the government from owners of capital so it doesn't again assume responsibility for capital value increases and also does not gain benefit from the capital will result in it not being a manager or an owner. This type of separation doesn't signify a negation of the public ownership system, it is nothing more than a division of labor function in economic operations. Under the situation of a commodity economy the government's economic functions should be to: Act as a referee in market competition; create a fair competitive environment through various measures such as opposing monopolies; formulate a macroscopic economic policy that will control and readjust the economic parameters to regulate the market; provide public facilities and service for production, circulation, and consumption, and through market intervention realize social economic goals that can't be realized by depending on a balanced market. In order to effectively carry out these functions the government can interfere with competition but it cannot assume the role as an owner of enterprise capital and become one of the competitors. Under the situation of the commodity economy, if the government assumes the role as an owner of enterprise capital it may destroy the commodity economic order in three ways. First, it will change the main operating goal of enterprises from generating profits to a financial aspect. Second, it will create a special type of monopoly—an administrative monopoly. Third, it will weaken enterprise budget restraints. These three points are what we see as the primary reasons for loss of macrocontrol after delegation of authority to yield benefits.

## II

Zhao Lukuan believes that the reform still faces many problems and its mission is extremely difficult. From reverse thinking to development intellectuals in China who have traditionally been concerned about the nation and people cannot shirk this historical responsibility.

### The Historical Mission of Economists

Reform of China's economic structure demands that economists make a constructive contribution. This is a correct historical responsibility. Zhao Lukuan implores state leaders and economic circles to fully acknowledge this issue. He stressed that if the old product economic society doesn't really need modern economic guidance (because the old economic system was conducted with an administrative mechanism working from top to bottom), then the modern commodity economic society cannot separate from modern economic guidance in one moment. State leaders must understand modern economics and give full play to the role that economists play. Economics is an applied learning, economists should tend towards striving for economic benefits not

just pure theory and methods. They should also thoroughly understand the national situation so they can be able to propose feasible means to promote reform and development. Politics should put emphasis on seeking social stability. State leaders need to fully recognize the mutually beneficial relationships of these two fields, do as much as possible to reduce non-economic factors (especially ideological factors) that restrict and interfere with social economic benefits, and so that scholars can create conditions together and jointly make more contributions for the great cause of reform.

**Biographical notes:** Zhao Lukuan, 59 years of age, Bai Nationality, from the town of Zizhou, Dali County, Dali Baizu Autonomous Region, Yunnan Province. He is currently a professor and Vice President of the Labor Affairs Institute, China People's University; Vice President of the China Labor Institute; and Executive Chairman of the China Research Center for Development of Human Resources.

**Major areas of Research:** Labor economics; social economics.

**Major works:** "Labor Economics and Labor Management"; "Introduction to Labor Sociology"; "Reform of China's Labor and Economic Systems"; "Personnel Management and Sociology"; "Outline of Personnel Management"; "General Knowledge for State Workers".

**Nationwide Shortage in Materials Supply**  
*OW1005105589 Beijing XINHUA Domestic Service in Chinese 1158 GMT 7 May 89*

[By Wang Jingu 3769 6930 7711, RENMIN RIBAO reporter, and Xu Kehong 1776 0344 3163, XINHUA reporter; Local Broadcast News Service]

[Text] Jinan, 7 May (XINHUA)— The production of energy and raw and semifinished materials has slipped and the quantity of important goods and materials kept in stock has decreased from January to April this year, while social demand remains high, according to information provided by a national working conference on materials held in Weifang City, Shandong Province. The situation has resulted in the disparity between supply and demand continuing to grow, and the condition of materials supply has become grim.

Statistics show that, because major coal-producing areas are far behind schedule in production and deliveries, coal is in short supply and its price has doubled. It has become an important factor hampering the development of national economy. The percentage of fulfillment of state purchase contracts for pig iron, steel products, copper, and soda ash has dropped to a greater extent. The situation has weakened our capability to supply physical goods for major production and construction projects.

Meanwhile, because of the sustained increase in social demand and the deteriorating contradiction between supply and demand, the prices of every important means of production were all on the rise during the first quarter of this year. According to the original estimate, our efforts to curb the scale of capital construction should reduce demand for goods and materials needed for capital construction to a greater extent and should stabilize their prices. However, because the scale of capital construction has not been truly curbed, the prices of goods and materials in this sector, after having briefly stabilized in January and February, began to soar again in March.

After an analysis of the above situation, relevant experts pointed out with emphasis: In addition to such objective causes as inadequate energy supplies and transportation capabilities, which have affected production, the fact that some localities and enterprises attach little importance to giving priority to accomplishing mandatory plans is also an important factor that leads to a general decrease in the percentage of fulfillment of state purchase contracts for goods and materials in short supply. In a bid to address the problem, the Ministry of Materials has required departments of materials in every locality to resolutely carry out the mandatory plans for distribution of goods and materials and has strictly prohibited them from diverting the goods and materials covered by the plans to distribution and sales outlets not covered by the plans. The diversion and exchange of the categories of goods and materials from distribution and sales outlets covered by the mandatory plans to those not covered by the plans, if found necessary, must be conducted in strict accordance with regulations.

**Bribery Cases Increased During First Quarter**  
*HK0806073589 Beijing RENMIN RIBAO in Chinese, p 1, 30 May 89*

[Report: "Procuratorial Organs Handled Over 6,400 Corruption and Bribery Cases in the First Quarter of This Year"]

[Text] In the first quarter of this year procuratorial organs throughout the country focused their work on combating corruption and bribery. They took various measures to investigate and handle corruption and bribery cases, and made marked results in this respect.

Over 6,400 corruption and bribery cases were handled in the first quarter of this year, an increase of 26.6 percent over the same period of last year and accounting for 71.8 percent of the total number of economic criminal cases. Bribery cases were serious. Procuratorial organs registered about 2,000 bribery cases in the first quarter of this year, an increase of 78.4 percent over the same period of last year. Procuratorial organs at all levels concentrated their efforts on handling corruption and bribery cases that involved leading cadres at the county and regimental levels. Major corruption and bribery cases that were investigated and handled amounted to 1,300, an increase



of 107 percent over the same period of last year. Sixty cadres at the county and regimental levels were involved in these cases, an increase of 57.9 percent over the same period of last year. The bribery cases that involved Guan Wenbin (leading cadre at the deputy departmental level), originally deputy director of the Advisory Committee of the Daqing petrochemical factory; and Li Kexiang (leading cadre at the deputy departmental level), originally manager of the Daqing enterprise development company, has been put on record for investigation, and a decision has been made to file lawsuits against them.

The masses supported procuratorial organs in examining and handling corruption and bribery cases. Sixty-one percent of the cases investigated in Jiangsu during the first quarter of this year were reported by the masses, and over 40 percent of such cases in Hunan Province and Tianjin City were reported by the masses. Terrified by this mass action, some criminals surrendered themselves to procuratorial organs in the hope of getting lenient treatment.

**JINGJI YANJIU Editorial Committee**

HK0206090489 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 3, 20 Mar 89, p 8

[JINGJI YANJIU Notice: "JINGJI YANJIU Editorial Committee"]

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**PROVINCIAL**

**Guangxi Reviews 1989 Economic Performance Through April**

HK2705024989 Nanning Guangxi Regional Service in Mandarin 1000 GMT 26 May 89

[Excerpts] A communique on Guangxi's performance in fulfilling major economic indices, jointly issued by the regional statistics bureau, planning commission, finance department, and the Guangxi branch of the People's Bank of China, shows that the region's economy has achieved some success this year as a result of improvement and rectification.

According to the statistics, local budget expenditures supporting agriculture increased by 52.6 percent from January to April compared with the same period last year; peasant investment in agriculture increased, and their production materials purchases showed an increase of 37.9 percent compared with the same period last year. The region has planted 17.388 million mu of early rice and 5.902 million mu of early corn. The number of pigs marketed rose by 1.8 percent compared with the same period last year.

The region's industrial growth rate dropped somewhat from January to April. Output value rose by 7.4 percent compared with the same period last year. [passage omitted] Investment in fixed assets completed during the period dropped by 6.4 percent compared with the same period last year, and the investment structure was readjusted somewhat. The proportion of investment in productive projects rose. [passage omitted]

Total retail sales volume during the period rose by 18 percent compared with the same period last year. The momentum of overheated consumption has been curbed to some extent. However, surplus purchasing power grew in inverse proportion to the commodity stocks. Stocks of commodities with a ready market were reduced, and effective supply was insufficient.

During the period there was a decline in bank loan growth, while savings deposits increased, and currency was withdrawn more quickly from circulation.

The region's general economic situation still allows no optimism. First, the structural contradictions in industry have become still more conspicuous. Primary industries are developing slowly amid readjustment; this includes a drop of 0.04 percent in hydroelectricity generation, a drop of 22.9 percent in steel production, and a decline of 10.8 percent in output of nonferrous metals. Output of light and textile industry products has dropped due to price and raw materials factors. Economic returns are not good enough, either. Industrial enterprises' profits

and taxes from sales have declined, while there has been a big increase in production costs of comparable products. Capital tied up in finished goods has risen by 44.7 percent.

Second, there is no slowdown in the momentum of price rises. The retail price index in Guangxi this year has risen by 35.5 percent compared with the same period last year. Prices of agricultural materials and of nonstaple foods have shot up. The phenomenon of indiscriminate and disguised price hikes can hardly be curbed. There has been a marked drop in the living standards of some residents.

### **Jiangsu Industrial Growth High, Rate of Return Low**

40060590 Beijing JINGJI RIBAO in Chinese  
3 May 89 p 2

[Article by Yan Kalin 7051 0595 2651: "Jiangsu's Economy Exhibits Great Contrasts"]

[Text] It appears that the Jiangsu economy, which has always held a strong first place nationwide, must now be investigated anew.

At present, the latest statistics from the State Statistics Bureau and other departments prove that Jiangsu's gross industrial output value is still in first place nationwide. In 1988 it was 139.1 billion yuan and in the first quarter of 1989 it was 35.2 billion yuan. However, considered in terms of the rate of return on the industrial sales profit to tax balance, Jiangsu was last nationwide. In 1988 it was only 13.54 percent; in the first quarter of 1989 it was 11.11 percent. (Note: Nationwide statistics encompassed industrial enterprises within the budget.) That is to say, for every 100 yuan of industrial commodities sold, Jiangsu makes only 11.11 yuan in profit taxes, while the same figure for Liaoning Province is 27.54 yuan.

The pace of Jiangsu's industrial development is rather quick. From 1980 to 1988 the annual increase rate was 18.8 percent. However, the industrial sales profit tax rate fell every year during this period, from 21.5 percent to 13.54 percent.

Jiangsu's industrial output value is higher than Shanghai's, but fiscal income is only two-thirds that of Shanghai.

Moreover, since readjustment, Jiangsu's industrial mix has not tended to rationalize. Rather, it has slanted further toward industries with low economic returns not owned by the whole people, and toward investment types of commodities within the processing industry. In order to increase effective supply and demand, additional production of energy resources, raw materials, and light and textile industries, as well as production of daily industrial essentials for the masses has been slow. Some are even withering or decreasing. According to reports, in the first quarter of 1989, increases in the province's

industrial output value for the whole people stopped. It is only 0.8 percent, while collective industrial output value is 20.7 percent, more than twice the planned rate, of which, rural industry's rate of increase is as high as 24.1 percent. Key statistics on 50 light industry products show that output of 38 types has dropped. Output of various daily use products, such as fine aluminum goods, light bulbs for the public, and soap, fell between 6 and 22 percent.

Of 18 types of energy resources and raw materials, 10 fell. Meanwhile, production of heavy industrial products that should be forcibly curbed, such as machinery and equipment, is still vigorous and rising rapidly.

By reforming, Jiangsu Province has forcefully promoted economic construction, agricultural production continues to achieve rather good harvests, markets are enlivening every day, there is further opening to the outside world, and the incomes of urban and rural residents are rising continuously in recent years. These basic achievements should be fully confirmed.

Nevertheless, it is also worth earnestly studying the province's enormous contrasts in industrial development of "first and last place," "rapid pace, yet poor returns," and "an overheated collective industry and an underheated industry of the whole people." For example, in terms of the guiding ideology for economic work, is there still continuing stress on output value, pace, collectives, and industry, while deemphasizing returns, mix, the whole people, and agriculture?

It is my understanding that in the past few years Changzhou, Wuxi, Yangzhou, and quite a few other medium-sized cities in Jiangsu Province have joined the ranks of "10-billion-yuan cities," while many villages have become "100-million-yuan towns." It may be that seeking output value has let the people of Jiangsu, some leading cadres in particular, to taste "benefits." Thus, very popular slogans in the past year for many cities and counties have been regarding how many new 100-million towns there will be and what new records there will be in output value.

Since the 3d Plenary Session of the 11th NPC Central Committee, an important change of strategy in the guiding ideology of China's economic construction has been to put economic work on the central track of improving economic returns. People have recognized that economic work in the past has neglected production and scientific principles in management and various economic plans, policies, and measures, creating great waste and losses, leading us along a path of high speed and low returns. Although output value is high and the pace is swift, taking such a road is of little use to the state and enterprises and of little material benefit to the masses. Therefore, the central government has repeatedly noted that improvement of economic returns is a

basic principle of China's socialist construction. At the same time, the status of economic returns has also become a main indicator in our evaluations of all economic work.

Looking at the actual situation, many areas nationwide have really made great efforts to improve economic returns. However, some areas are still stuck on the old ideological track of a "speed economy." They always emulate fast-paced provinces and municipalities. Turning back to the situation in Jiangsu Province, its output value is the highest in the nation, and its pace is fast. But what about its actual material benefits?

At present, there are problems and difficulties in China's economy, such as crazy price rises, too much currency in circulation, too much investment in fixed assets, and in particular, far too much total supply for society's total demand. Areas and enterprises also face problems like insufficient funds and tight energy resources and raw materials. We rely mainly on improving economic returns to solve these issues.

As Chen Huangyou [7115 3562 0645], newly elected Governor of Jiangsu Province noted, in 1989 we must gradually eliminate economic overheating and lower the speed of development to relatively rational levels. The planned growth for provincewide gross industrial output value is 10 percent, quite in accord with actual needs. However, all levels of society throughout the province must contemplate anew how to extricate Jiangsu from its predicament of being in last place nationwide in terms of the rate of returns. We hope that through readjustment the Jiangsu economy will truly take a new route of comparatively dependable speed and relatively good economic returns.

**Liaoning Province Sees More Private Enterprises**  
*OW2605035989 Beijing XINHUA in English*  
0044 GMT 16 May 89

[Text] Shenyang, May 16 (XINHUA)—Liaoning Province in northeast China now has 6,747 private enterprises, 22 times the figure of two years ago.

According to an official from the provincial Bureau of Industry and Commerce, these enterprises employ some 105,000 people and have a total registered capital of 360 million yuan (about 100 million U.S. Dollars).

Last year they turned over to the state 50 million yuan in profit quotas and taxes.

In addition, the official said, at least 10,000 private enterprises are doing business under the cover of collectively-owned firms in order to enjoy state-granted privileges to newly set up collective businesses.

Of the 6,747 enterprises, 61.4 percent or 4,142 are rural private firms and 4,481 are engaged in industry, handicrafts, construction and transportation.

More than 70 private enterprises are engaged in export production.

According to the official, the most successful private firm has fixed assets totaling 5.4 million yuan and a staff of 400.

### **Market, Price Issues Discussed**

*HK1005085489 Xian Shaanxi Provincial Service in Mandarin 2330 GMT 9 May 89*

[Text] The market and price issues were specially discussed during a recent routine meeting of the provincial government. The meeting held that, after the straightening up operation in the past six months, the overheated economy has been cooled down in the province, excessive demand has been curbed, the price hikes have been slowed down, and commodity prices have remained generally stable while the prices of some commodities are declining. But there are still some factors of instability. The meeting demanded that the government and departments concerned further promote production, tighten control, and do their best to keep the margin of price increase this year markedly lower than that for last year.

Thanks to the great efforts of governments at all levels to ensure effective supply and to rectify market order since the beginning of this year, the province's total volume of retail sales for the first quarter increased by 16.2 percent over the same period last year; the net purchase of commodities and the net sale of commodities for commercial enterprises under ownership by the whole people increased by 33.5 and 29.7 percent respectively; the total number of hogs on hand increased by more than 10 percent, the shortage of eggs has been eased and the volume of egg procurement has basically kept up with the sales volume, and there are signs indicating that the longstanding problem that fresh vegetables are in short supply in the off seasons would be resolved. The supply of industrial products on the market in Shaanxi Province remained quite stable in the first quarter. Now there is a wider variety on the market and an ample supply of manufactured goods for daily use.

The meeting held that improvement in the situation on the market in the province should be attributed to the operation of improving the economic environment and rectifying the economic order and the common efforts by all the people in the province. Participants in the meeting also mentioned some factors of instability in the market—the market price level remains quite high even though it declined slightly in the first quarter. In this connection, the provincial government has decided to take five measures to stabilize the market and to keep commodity prices under control. These five measures are: (1) Governments at all levels and departments concerned must attach prime importance to the task to stabilize the market and to keep commodity prices under control, and they should take more effective measures to

ensure that commodity prices will be kept at a reasonable level. (2) Special efforts must be devoted to solving the food basket issue—in the near future the provincial government will hold meetings on the building of counties specialized in hog raising, vegetable production, and chicken breeding to draw up development plans and backup measures and to assign meat, egg, and vegetable production and supplying quotas for this year. (3) Real efforts must be made to ensure the production and supply of 14 categories of products, including grain, oil, meat, and vegetable, which are of vital importance to the people's livelihood and are listed in the state plan, as well as the production and supply of 43 industrial products. The provincial government has instructed the provincial planning and economic commissions to see that enterprises will fulfill their production and sales quotas, and will do a good job in the production, processing, procurement, and supply of goods. (4) It is necessary to further improve the general environment that may affect commodity prices on the market—all productive enterprises must earnestly carry out internal structural readjustment, exert their utmost to tap their own potential with a view to improving economic returns; at the same time, it is necessary to steadfastly curb the growth of the aggregate demand, to effectively reduce the scale of capital construction, to curtail financial expenditure, and to adopt more measures to change consumption funds into production funds. (5) It is necessary to keep commodity prices under strict control, to strengthen market administration, and to strive for a marked improvement of the market environment and market order; no provincial departments and no prefectures and cities are allowed to approve any price adjustment on their own in the first half of this year; and it is necessary to enforce discipline regarding price control and to take strong action against the violation of the price policy, illegal purchase and resale of goods, and illegal business operation.

**Shanghai Faces Serious Power Shortage**  
*OW2305011189 Beijing XINHUA in English 0029*  
*GMT 23 May 89*

[Text] Beijing, May 23 (XINHUA)—Shanghai is facing a serious power shortage due to insufficient coal supplies, according to today's CHINA DAILY.

And industrial production in the city is certain to be hit hard as electrical power plants face closure at any time.

Low-priced coal under protective policies of the state targeted for Shanghai power plants was cut by 103 million tons last year, or about 15 percent.

The power plants are priority users of the low-priced coal but are obliged to follow a double-track pricing system. Quantities needed beyond their quota have to be bought on the open market at higher prices.

The plants are barely scraping along by borrowing from ports and cutting reserves.

The paper said that despite violations of contracts for low-priced coal signed years ago, the plants won't take action for fear the suppliers will retaliate and cut them off.

## FINANCE, BANKING

**Jiangxi Banks Seek Loan Recoveries in Court**  
*OW3005023089 Beijing XINHUA in English*  
*1403 GMT 25 May 89*

[Text] Nanchang, May 25 (XINHUA)—Banks in Jiangxi Province have taken 387 businesses to court for alleged failure to repay loans totaling 36.16 million yuan (9.77 million U.S. dollars) by the due date.

The courts have accepted 323 of the cases, and the banks have won all 79 of those dealt with.

For a long time, it has been easy for banks to issue loans, but hard for them to recover their capital.

For this reason the Jiangxi branch of China's Industry and Commerce Bank drew up a set of regulations last year and trained 130 officials of allied banks in their administration.

Enterprises charged with violation of the regulations include 34 state-owned, 222 collective, and 131 individual businesses.

A sewing machine plant in Nanfeng County went bankrupt at the end of 1983 because of poor management. It was not able to pay back loans amounting to 1.059 million yuan (286,000 U.S. dollars).

Under the regulations, all the loans should be repaid by the Second Bureau of Light Industry of Nanfeng County, which is responsible for the plant.

The bureau paid back 140,000 yuan (37,837 U.S. dollars) but refused to pay the rest.

The bank brought a suit against the bureau last December, and this January the Intermediate People's Court of Fuzhou City declared that the bureau must repay all the loans.

Ma Xinwen, a leading official handling the administration of the regulations, said it is now easier for banks to recover expired loans from businesses that are in debt.

## INDUSTRY

**March Industrial Products Performance**  
*HK0405123989 Beijing CEI Database in English*  
*4 May 89*

[Text] Beijing (CEI)—Following is a chart of the output volume of main industrial products in March 1989 released by the China State Statistical Bureau.

Main Industrial Products March 1989

Item	Unit	1-3/89	3/89	Percentage over 1-3/88
Bicycle	10,000	956.33	373.58	1.0
Sewing machine	10,000 sets	228.67	88.1	2.0
Watch	10,000	1394.30	486.00	7.2
TV set	10,000 sets	668.21	247.77	36.3
color tv	10,000 sets	269.64	98.12	53.0
Radio	10,000 sets	288.18	103.35	-21.7
Tape recorder	10,000 sets	583.24	220.14	22.0
Washing machine	10,000 sets	263.67	98.55	11.9
Fan	10,000 sets	1065.37	450.67	21.6
Refrigerator	10,000 sets	199.50	80.44	49.7
Chemical fibre	10,000 tons	36.62	13.03	14.5
Yarn	10,000 tons	102.19	39.02	-6.5
Yarn	10,000 pcs	569	217	
Cloth	100 m.m	39.05	14.87	-4.3
Pure cotton	100 m.m	24.05	9.21	-4.8
Chemical fibre	100 m.m	14.95	5.65	-3.5
Silk	10,000 tons	1.03	0.40	-8.8
Silk fabric	100 m.m	3.28	1.26	-6.3
Woolen fabric	10,000 m	5687	2148	-6.2
Knitting wool	10,000 tons	4.76	1.84	10.4
Gunnysack	10,000 pcs	16534	6282	-20.2
Garment	10,000 pcs	4.09		1.57
Sugar	10,000 tons	314.34	77.10	9.8
Salt	10,000 tons	167.50	82.80	25.1
Cigarette	10,000 cases	711.20	268.10	-3.9
Beer	10,000 tons	117.18	54.58	18.1
Liquor	10,000 tons	101.64	35.36	-10.5
Machine-made paper and kraft	10,000 tons	249.12	95.24	.3
Newsprint	10,000 tons	6.60	2.38	.9
Anastatic printing paper	10,000 tons	17.83	6.27	6.7
Synthetic detergent	10,000 tons	31.65	12.86	18.5
Fine aluminium Daily products	ton	19502	7602	-23.5
Plastic product	10,000 tons	80.84	31.74	5.4
Farming film	10,000 tons	15.00	5.73	11.0
Bulb	100 million	4.26	1.59	-4.5
Iron ore	10,000 tons	3571.30	1338.10	-2.8
Pig iron	10,000 tons	1308.80	483.90	-7.6
Steel	10,000 tons	1391.30	512.20	-6.7
Rolled steel	10,000 tons	1114.63	420.69	-4.1
Ferro alloys	10,000 tons	42.47	16.01	11.7
Coke	10,000 tons	1079.79	389.34	-7.4
Ten non-ferrous metals	10,000 tons	46.58	16.65	.3
Copper	10,000 tons	11.56	3.94	-9.9
Aluminium	10,000 tons	17.12	5.96	5.1
Copper products	10,000 tons	8.98	3.73	
Aluminium products	10,000 tons	7.60	3.06	
Antimony aluminium	10,000 tons	28.06	10.40	-9.2
Sulphuric-iron ore	10,000 tons	232.44	86.01	11.4
Phosphorus ore	10,000 tons	357.96	159.61	9.5
Sulphuric acid	10,000 tons	263.04	95.71	-3.9
Dense nitric acid	10,000 tons	8.36	2.92	6.4
Sodium carbonate	10,000 tons	65.57	24.06	4.1
Caustic soda	10,000 tons	75.02	27.18	3.0
Ethylene	10,000 tons	37.73	12.41	17.0
Calcium chloride	10,000 tons	50.87	18.67	-4.8
Pure benzene	10,000 tons	15.34	5.45	3.2

Synthetic Ammonia	10,000 tons	456.66	167.45	-10.5
Fertilizer	10,000 tons	421.58	156.01	-8.6
Nitrogen	10,000 tons	334.52	120.59	-7.0
Phosphorous	10,000 tons	86.23	35.27	-14.4
Potash	10,000 tons	0.46	0.14	-20.7
Chemical pesticide	10,000 tons	5.02	2.06	2.7
Paint	10,000 tons	16.67	6.77	-11.1
Dyestuff	10,000 tons	2.93	1.18	0.3
Pharmaceuticals	10,000 tons	4.40	1.66	-0.2
Chinese patent medicines	10,000 tons	5.68	2.18	-12.2
Tyre	10,000	743.86	291.22	14.4
Synthetic rubber	10,000 tons	7.34	2.71	5.0
Film	10,000 meters	3522	916	-26.6
Color film	10,000 meters	3267	913	-27.0
Plastic	10,000 tons	51.76	18.54	29.4
Timber	10,000 c.m.	1548	556	-3.5
Artificial Board	10,000 c.m.	55.56	23.80	-0.5
Cement	10,000 tons	4277.90	1697.80	1.8
Plate glass	10,000 case	2014.44	697.47	21.9
Power equipment	10,000 kw	206.30	96.82	7.8
Alternating-current motor	10,000 kw	1001.44	385.34	-6.7
Industrial boiler	ton	16396	6764	-1.5
Machine tool	10,000 sets	4.20	1.66	4.5
Numeric control tool	set	485	160	-19.7
Precision machine toolset	set	34	121	71.3
large machine tool	set	1210	530	5.3
Automobile	10,000	14.82	5.66	8.3
Truck	10,000	9.62	3.73	6.8
Tractor (over 20 h.p)	10,000	1.16	0.42	-12.8
Small tractor	10,000	28.37	12.17	-18.4
Locomotive	set	165	60	-18.7
Railway motor	set	106	39	9.3
Steam motor	set	20	4	-70.1
Power motor	set	39	17	0
Passenger car	set	371	123	-23.2
Freight car	set	5602	2242	3.2
Internal combustion engine	10,000 kw	1472.80	559.00	17.2
Fishing ship	6	2	0	
Civil steel ship	10,000 tons	9.13	4.28	-46.3
Computer	set	29	14	-55.4
Mini computer	set	13335	5544	24.6
Pocket calculator	10,000 sets	95.57	33.19	24.8
Film projector	10,000 sets	0.35	0.11	-10.3

Notes: m.m.—million meters;  
c.m.—cubic meters; pcs—  
pieces

### Shortages Hamper Steel Production

OW2405175089 Beijing XINHUA in English  
1133 GMT 22 May 89

[Text] Beijing, May 22 (XINHUA)—China's iron and steel production is starting to pick up again after suffering a drastic fall in the first quarter of this year, today's CHINA DAILY quoted the Ministry of Metallurgical Industry as saying.

But the ministry admitted that the supply of energy and raw materials had not improved significantly and warned that production could start falling again.

Production hit a record level in April with an average daily output of 170,400 tons. And by May 10, the country had turned out 20.68 million tons of steel in total this year, approaching the speed of production required by the annual plan and fulfilling 35 percent of the country's annual quota, the ministry said.

It pointed out that the country's key iron and steel works were still in a difficult position as statistics showed that their steel output for the first four months of this year was "a far cry" compared with that for the same period last year.



Since the beginning of this year, the country's steel industry has been experiencing tremendous difficulties as severe shortages of coking coal supplies and frequent power cuts bite into the country's ambition to increase steel output by 3 million tons for the sixth consecutive year.

It is said that stocks of coking coal in the country's 12 large steel works have dropped to a record low of 500,000 tons since the start of this year.

Last year, the country's steel output was 59.22 million tons. China's target output for this year is more than 60 million tons.

This ambitious target was overshadowed by a dramatic fall in steel output of 840,000 tons of 9 percent in the first two months of this year, which was "beyond our imagination," economists say.

As the steel industry started to feel the pinch of shortages of power and coking coal during the second half of last year, the government clearly stipulated that the industry must get all possible support to prevent a fall in production.

But this was ignored and the state authorities did not have any sanctions against such a situation, some economists said.

Early this year, the state Planning Commission ordered the country's northeast oil-rich region to provide an extra 8 million tons of petroleum for power generation to ensure the smooth production of some key steel works. But this order went unheeded.

Apart from severe shortages of power supply, the country's key steel works could only obtain some 77 percent of the total coking coal they needed, thus greatly affecting production.

Economists said there was much room for improvement in the practice of letting the market regulate production. Meanwhile, "the implementation of mandatory planning to regulate the economy is rather weak," they said.

They urged the government to strengthen micro-control to stem the possible downward slide in steel production.

They also urged that new measures and technology be adopted to reduce coal and electricity consumption.

According to an earlier report, the Ministry of Metallurgical Industry had called on the industry to save 1.7 million tons of coal and 500 million kilowatt-hours of electricity this year.

### Statistics Bureau Releases April Industrial Figures

OW1205122689 Beijing Domestic Service in Mandarin  
0930 GMT 8 May 89

[From the "National Hookup" program]

[Text] According to a report by our station reporter, Wang Lianxi, since the beginning of the second quarter, all localities and departments in our country have strengthened their management and guidance of production and have increased loans to provide more circulating funds to meet production requirements. This has brought about a turn for the better in railway cargo transportation and energy production and has supported the stable growth of industrial production.

As this reporter has learned from the State Statistics Bureau, the industrial output value totaled 113.6 billion yuan in April, or 13.7 percent more than that registered for the same month last year. The increase in output value was 8.6 percent for state-owned industry, 19.7 percent for collectively owned industry, and 25.3 percent for rural industry. These rates of increase were less than those registered for the previous few months.

Our country's energy production in April showed a 7.5-percent increase compared with the same month last year, a record high since the beginning of this year. Coal production increased 9 percent, and electric power output climbed by 7.3 percent. Output of crude oil and natural gas also increased compared with the same month last year, reversing the declining trend that appeared in the previous few months.

The improvement of energy production provided favorable conditions for promoting production in other industries, the basic materials industry in particular. In April, a turn for the better was noted in the production of steel and steel products, ferro alloys, 10 kinds of nonferrous metals, industrial chemicals, and chemical fertilizers. For some of these materials, the trend of declining output was reversed; for others, there was a higher rate of increase in production.

Analyzing April industrial production, the State Statistics Bureau pointed out that the energy and basic materials industries, although improved, were far from keeping pace with the growth of industrial production as a whole. As for textile and other light industries, output of most manufactured goods for daily use showed a slow growth rate and was not sufficient to meet market demands. Adjustment of the irrational industrial structure will be one of the major tasks for the present and for some time to come.

**March Textile Output Value by Areas**  
*HK0205153989 Beijing CEI Database in English*  
2 May 89

[Text] Beijing (CEI)—Following is a chart of textile output value by provinces, municipalities and autonomous regions in March, 1989, released by the Ministry of Textile Industry.

**Output Value by Provinces**

	3/89 (million yuan)	1-3/89 (million yuan)	percentage over 1-3/88
Beijing	273.67	753.82	1.51
Tianjin	376.18	1,078.67	-4.78
Hebei	567.16	1,462.48	-1.06
Shanxi	172.61	455.03	5.73
Inner Mongolia	124.05	298.60	5.60
Liaoning	710.83	1,878.11	0.32
Jilin	188.32	484.11	-1.58
Heilongjiang	275.00	735.05	5.48
Shanghai	1,180.98	3,032.22	-11.03
Jiangsu	1,805.12	4,905.87	-1.95
Zhejiang	573.51	1,479.83	-0.29
Anhui	363.99	947.79	6.75
Fujian	184.67	484.62	6.46
Jiangxi	161.60	418.10	-2.77
Shandong	932.10	2,505.84	7.52
Henan	467.16	1,262.12	1.24
Hubei	877.03	2,304.78	9.32
Hunan	306.14	726.50	-5.45
Guangdong	692.43	1,932.38	27.99
Guangxi	130.66	353.86	-5.61
Hainan	0		0
Sichuan	384.99	994.80	4.11
Guizhou	35.15	97.15	3.94
Yunnan	80.76	225.83	11.63
Tibet	0		0
Shanxi	291.58	754.06	0.47
Gansu	78.40	219.00	0.89
Qinghai	34.69	65.00	2.43
Ningxia	26.24	66.49	11.24
Xinjiang	102.89	269.06	11.83
Total	11,387.91	30,191.17	1.59

**Hubei Urges Increasing Industrial Output**  
*HK0106111389 Wuhan Hubei Provincial Service*  
in Mandarin 0900 GMT 31 May 89

[Text] The Provincial Economic Committee recently issued a notice to the economic committees at the prefectural, city, and autonomous prefectural levels as well as to all industry and communications departments directly under the provincial government, calling on them to seriously organize cadres and workers in the industry and communications departments to study and implement a number of important speeches made by responsible persons of the party Central Committee, the State Council and the Hubei Provincial Party Committee in order to get

a clear understanding of the situation and to pay close attention to industrial production at present.

The notice points out: Industrial production in our province faces numerous difficulties this year. All local authorities and departments must face up to difficulties, pluck up their courage, strengthen leadership, and make painstaking arrangements to strive for sustained and steady development in industrial production. At present, special attention must be given to increasing the output of daily necessities, seasonal products, raw materials in short supply, agricultural goods, and export commodities for earning more foreign exchange. Attention must be given to guaranteeing effective supply in order to keep the market and prices stable and put people's minds at ease, relaxing strains on the supply of funds, energy, and raw materials, guaranteeing normal operation of industrial production, and continuously improving economic results. Meanwhile, communications and post departments should adopt more effective measures and tap internal potential to ensure that passenger and freight transport, posts, and telecommunications will be able to reach anywhere without a hitch.

The notice also urges all localities to strengthen ideological and political work among workers and staff members and to educate them to enhance their sense of legality, stand fast at their posts, strictly observe labor discipline, and pay close attention to safety production.

**Statistics Show Industrial Production Up for April**  
*OW0805184489 Beijing XINHUA in English*  
1036 GMT 8 May 89

[Text] Beijing, May 8 (XINHUA)—China's industrial output value reached 113.6 billion yuan last month, or 13.7 percent more than in April last year, according to the State Statistics Bureau today.

In the first four months of this year, the total industrial output value of the country was 406 billion yuan, an increase of 11.3 percent over the corresponding period of last year.

From January to the end of April this year the output value of China's light industry registered an increase of 12 percent over the first four months of last year, while that of heavy industry rose by 10.7 percent.

Last month, 7.5 percent more energy was produced than in April last year, a record high since the beginning of 1989.

Coal production and the amount of electricity generated have also been growing steadily, and the output of crude oil and natural gas also increased compared with April last year, reversing the trend of decrease in the previous few months.

Meanwhile, the improvement in energy production provided favorable conditions for the production of basic materials.



Last month a turn for the better was seen in the production of steel, steel products, alloy iron, 10 kinds of nonferrous metal, chemical raw materials and chemical fertilizer. Increases were reported in some sectors while others reversed the trend of decrease.

Despite this, experts from the State Statistics Bureau say that the increase in energy and basic material production still cannot keep pace with the growth of the country's industrial production as a whole.

They believe that adjusting the irrational pattern of industry will remain the major task for the foreseeable future.

Statistics show that in the first four months of this year, the output value of China's state-run enterprises increased by 6.1 percent, that of collectively-owned industry, by 18.5 percent, and that of rural industry, by 27 percent.

#### **Iron, Steel Output Up**

OW2205142589 Beijing XINHUA in English  
1334 GMT 18 May 89

[Text] Beijing, May 18 (XINHUA)—China's production of iron and steel, which slipped in the first quarter of this year, is rising steadily, and in April set a record with an average daily output of 170,400 tons.

As of May 7, the country had produced 20.68 million tons of steel this year, approaching the speed required by the annual plan and fulfilling 35 percent of the annual quota.

An official of the Ministry of Metallurgical Industry said that although iron and steel production is improving, there is no obvious improvement in the supply of energy and raw materials, and production might fall.

#### **April Textile Production Shows Continued Increase**

OW3005040989 Beijing XINHUA in English  
0542 GMT 27 May 89

[Text] Beijing, May 27 (XINHUA)—Textile production in China continued to climb in April after taking a favourable turn in March, today's CHINA DAILY quoted the Ministry of Textile industry as saying.

The total output value of the first quarter topped 42 billion yuan (11.3 billion U.S. Dollars), 3.03 percent up on the same period last year.

During the first two months of this year, textile production declined sharply, affecting local revenues and foreign exchange earnings.

The number of provinces where the output value from textile production declined, fell from 14 in February to seven last month.

Textile production in the provinces of Hebei, Henan, Liaoning, Jilin, Zhejiang and Shanxi and the Inner Mongolia Autonomous Region rose last month after falling the previous one.

And in Shanghai, the Provinces of Jiangsu and Hunan and the Guangxi Zhuang Autonomous Region, textile production declined by a relatively smaller margin compared with previous months.

Urgent measures have been taken by managing departments to support textile enterprises in terms of energy resources and funds.

However, the shortage of raw materials remains the major problem haunting textile production this year.

The majority of textile-producing bases do not have a sufficient stock of raw materials, which may affect production in the latter half of this year.

The ministry of textile industry has appealed to local textile enterprises to collect circulating capital by every means possible to buy raw materials.

Meanwhile, the prices of textiles should be raised in accordance with the economic rules on commodity production to help sustain the textile industry, from which China earns one-quarter of its total foreign currency.

#### **More Coal for Power Industry**

OW0905051989 Beijing XINHUA in English 0539  
GMT 4 May 89

[Text] Beijing, May 4 (XINHUA)—The central government has decided to give an additional supply of 10 million tons of coal to China's power industry.

The coal comes from output increases achieved in coal mines all over the country, according to an official from the Ministry of Energy Resources.

He said the additional supply will make up for a coal shortage of the same amount in north, east, northeast and central China's thermal power plants.

The power decrease caused by the shortage of coal supply will be eventually alleviated in these areas, he added.

#### **Electricity Shortage Changes Production**

HK0505131789 Beijing CEI Database in English  
5 May 89

[Text\*] Shanghai (CEI)—The total value of Shanghai's industrial output in April reached 9.953 billion yuan (about 2.7 billion U.S. dollars), 13.6 percent more than the amount for the same period last year.

Statistics show that between January and April, total output value reached 36.054 billion yuan (about 9.744 billion U.S. dollars), 10.1 percent over the figure for the same period last year.

In the past four months the trend of industrial production has been away from raw materials towards daily necessities. Watches, TV sets, washing machines, refrigerators, soap, matches and cool drinks all increased by 10 percent or more, but the output of yarn, steel and iron declined because of the limited supply of energy.

**Guangdong Steel Industry Faces Difficulties**  
*HK1005110689 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 9 May 89*

[Text] Since the state fixed in a unified manner the prices of steel products not assigned by state plans, the metallurgical industry of our province has faced the stern situation of suffering losses again. Experts have pointed out: A delay in settling the problem will affect the development of the steel industry of our province.

Since the contracted economic responsibility system was introduced in the metallurgical industry of our province a few years ago, the trade has developed rapidly. Both the Guangzhou Iron and Steel Plant and the Shaoguan Iron and Steel Plant turned from longstanding deficits to profits. Nevertheless, the sharp increase in the prices of raw materials and fuels in recent years has brought the cost of steel production up. Last year the Guangzhou Iron and Steel Plant and the Shaoguan Iron and Steel plant made a loss of 40 million yuan in production of rolled steel alone.

The present annual steel output of our province reaches almost a million tons and more than 600,000 tons of which are steel products outside the state plan. Since the state fixed a maximum limit to the prices of steel products not assigned by the state plan, our province suffers a loss of 300 million yuan a year. At present some iron and steel plants of our province are undergoing technological transformation and updating their equipment. Many enterprise leaders have said that they find it difficult to make up for the fund shortage.

**Shanghai Industrial Production Shows Mixed Results**  
*OW1005114889 Shanghai City Service in Mandarin 0900 GMT 4 May 89*

[Text] Data collected by the municipal statistics bureau show that Shanghai's April industrial output value amounted to 9,953 million yuan, up by 13.6 percent compared with last year's corresponding period. The accumulated total industrial output value for the first 4 months of this year was 36,054 million yuan, 10.1 percent higher than the figure registered for last year's corresponding period.

The development of Shanghai's industry during the first 4 months of this year has shown that production has risen steadily in the course of improving the economic environment, rectifying the economic order, and strengthening the reforms, while adjustment of the production structure has been under way in a planned way, and supplies of readily marketable products, agriculture-support items, and manufactured goods for daily use have all increased to a certain extent. However, raw and semifinished materials industries have met with numerous difficulties and their growth rate has been slow. What is more, the output of some raw and semifinished materials has dropped considerably. Examples are yarn, steel, concentrated nitric acid, pig iron, and pyrite. It is justifiable to say that our industrial production is still in a very grim situation. We must firmly seize on the second quarter, which is usually a golden season for industrial production, to strenuously increase the output of major products that are readily marketable, products required by farming, and products that can be exported to earn foreign exchange, to stabilize the market and invigorate the economy.

**Industrial Output Rises**  
*OW0905005189 Beijing XINHUA in English 1417 GMT 4 May 89*

[Text] Shanghai, May 4 (XINHUA)—The total value of Shanghai's industrial output in April reached 9.953 billion yuan (about 2.7 billion U.S. Dollars), 13.6 percent more than the amount for the same period last year.

Statistics show that between January and April, total output value reached 36.054 billion yuan (about 9.744 billion U.S. Dollars), 10.1 percent over the figure for the same period last year.

In the past four months the trend of industrial production has been away from raw materials towards daily necessities. Watches, TV sets, washing machines, refrigerators, soap, matches and cool drinks all increased by 10 percent or more, but the output of yarn, steel and iron declined because of the limited supply of energy.

**CONSTRUCTION**

**Apartment Construction Slows Down**  
*OW2605025089 Beijing XINHUA in English 0959 GMT 16 May 89*

[Text] Beijing, May 16 (XINHUA)—Construction of Chinese commercial apartment buildings is slowing down because of the government's policy of cutbacks in fixed asset spending this year, the ECONOMIC DAILY reports today.

And the slowdown is in turn affecting the government's efforts to promote the construction of commercial rental apartment buildings—which were expected to ease the nationwide pressure of demand for state-allocated accommodation.

Only 80 million square meters (or 1.6 million standard flats of 50 square meters) of commercial apartment houses will be built in the country this year—400,000 flats less than last year.

The figure will be reduced to 1.2 million flats in 1990 and will continue to drop to one million in 1991.

However, apartments are in great demand in urban areas throughout the country. Statistics show that a quarter of China's urban residents have no permanent homes or occupy less than four square meters of living space per person.

In Beijing alone, there are 400,000 families in these categories.

In addition, many families who were forced to move from their old houses to make room for new buildings are still waiting to move into the new buildings erected on the sites of their former homes. There are now 1,000 such families in the Shanghai Municipality of east China and several hundred in Lanzhou City in the northwest.

It is difficult for the government to both reduce spending on capital construction and promote the construction of commercial dwellings, because local governments or companies often build other projects such as assembly halls, hotels, museums and factories under the pretext of building rental apartments.

What may be even more serious is that many financial departments appear to have decided not to give loans to companies engaged in commercial apartment construction.

If the policy is as widespread as suspected, it will be virtually impossible for such companies to amass enough capital for even the early stages of their projects.

Departments concerned under the Ministry of Construction have urged policy-making departments to work out viable policies to promote the construction of commercial apartment buildings, and solve the problem of promptly relocating residents left homeless by construction of new buildings by strengthening state and provincial housing administration.

**Fixed Asset Information System To Be Built**  
*HK0305121989 Beijing CEI Database in English*  
3 May 89

[Text] Shanghai (CEI)—A large information system on the management of fixed assets investment will be extended to the rest of the country after successful experiments were conducted in six provinces and three municipalities, including Shanghai. The system is established mainly for state departments to have a macro knowledge and control over all of the larger investment projects throughout China. Relevant data bases will be set up in the central government, and local governments

of provinces, prefectures and counties. When the system is put into use, capital construction and technological renovation items that involve more than 300,000 yuan of investment raised either within or out of the state budget, by the central government or by local governments, by state-run or collectively run enterprises, and loans at home or from abroad, will be included in the information system. Meanwhile, the system can analyse the dynamic trends of the projects under preparation or construction. It is set to improve decision-making and increase investment efficiency.

**FOREIGN TRADE, INVESTMENT**

**'Contradictions' in Foreign Trade Contract Management Responsibility System**

*40060522 Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 3, 27 Mar 89 pp 15-17*

[Article by Chen Xin 7115 2946: "A Trial View of the Foreign Trade Contract Management Responsibility System's Dual Nature"]

[Text] The foreign trade contract management responsibility system is the model of choice for the current stage of China's foreign trade system reform. It has been tested and popularized throughout the entire nation, initiating a new phase for the foreign trade system. Practice has proved in recent years that, assuming no increased fiscal burden, this would be sufficient to ensure that the chief goal of the contract management model would be a stable foreign exchange income for the state. This would effectively promote the management process among foreign trade departments by strengthening economic accounting, improving management, uncovering internal latent strength, attracting competitive mechanisms, achieving conditional self-management, and giving them sole responsibility for their own profits and losses. At the same time it would delineate the central and local governments' financial burden, adjust the distribution relationships among the state, enterprises, and individual workers, and would inspire local governments, export units, and enterprise workers to earn foreign exchange, and thereby make the most of exports. But it was easily discovered that selecting the strengthened directional plan, while all along promoting contract management, still created the abuse of running counter to the people's original intention. In contract management that is centered on localities, people cut off economic relations among domestic enterprises and localities, legalizing administrative interference by local governments and management departments, impeding such reform measures as extending rights to enterprises, separating the duties of government from those of enterprises, etc., as well as impeding implementation of scientific management. Rigid contract bases linked to the mutual benefits distribution principle has also impeded progressively making the management form of foreign trade enterprises more logical, and has created

and abetted short-term conduct by enterprise management. The duality in the guiding system whereby enterprises earn foreign exchange through exports while profits are controlled has led to chaos in enterprises' microeconomic activities, so that economic regulatory measures and the economic benefits principle cannot be implemented smoothly.

The dual nature of the foreign trade contract management responsibility system is an objective process of the initial stage of China's socialist economy; it is necessary and cannot be bypassed. Although the initial stage of socialism has already begun, using the heavy machinery industry as the model for socialization of the forces of production, taken overall, production forces are still at a rather low level. Moreover, there still exist unequal, multilevel characteristics, with mutually compatible production relationships, among which are included allocation and management models, that also present pluralized and unregulated features. Regardless of whether the contract management responsibility system is used as a kind of operational management system or is set up as an allocation model for mutual relations between the state and enterprises, each is an important aspect of production relations, without the slightest doubt that there will be a dualized composition. At the same time, the foreign trade contract management responsibility system is also the initial phase of reform of China's foreign trade system, while at present the two kinds of foreign trade systems, the old and the new, are bound together, replacing one another, with each standing up to the other's phased products. On one hand, according to the demands of the planned commodity economy and what is required for development of foreign trade in our economic construction, carrying out essential reforms and regulation of traditional foreign trade—such as applying economic regulatory measures to foreign trade to exercise direct control, regulating financial management, opening up the foreign exchange market, accomplishing total drawback, and increasing financial subsidy function. To strengthen the linkage of production to marketing, to promote integration of industry with trade, to develop the export commodity base, to pay attention to grouping construction, etc., to a certain degree and within certain limits, all of these pound at the traditional foreign trade system, and promote its development as a business. On the other hand, it is also obvious that there still remain certain vestiges of the old commodity economy and the traditional planned economy, bringing environmental defects and impediments to movements for reform and development of foreign trade. This phenomenon often occurs, for a reform program, in the issuing of measures that produce a pile of wrong "corrections" out of the policies, causing friction and contradictory conditions, even to the point of expending the reforms. These particular circumstances make two different systems exert a favorable influence on the foreign trade contract management responsibility system while initiating a two-way utility.

The duality acts as a theoretical summary of the intrinsic nature of the foreign trade contract management responsibility system, which, still within the course of its development, is brimming with all kinds of contradictions from start to finish. Internally and externally these comprehensively reflect each kind of existing contradictory relationship. Among the major contradictions that occur are these: 1) A contract's contents may require that the contract be pluralized in form, with "one stroke" in its implementation process, a unified contradiction. 2) Because of differences in policy scope and preferential treatment enjoyed by each locality, unequal competitive contradictions have been created between coastal and inland ports, between special zones and excessively reformed areas. 3) Although they start from the same point, differing contracts bases have led to contradictory tendencies among enterprises concerning rights, responsibilities, and benefits. 4) The contradiction of enterprises' internal departments having varied marketing situations, due to differing contract bases and softened economic support measures. 5) Stripping and slicing the contract form has created the contradiction of enterprises overly relying on administrative management departments and thus rationalizing government administrative interference, and it hinders enterprises in their self-development breaking away from administrative restraints and the power of enterprises to act on their own initiative. 6) The contradiction of limiting, short-term nature of foreign trade contracts and the long-term, unlimited nature of enterprise development. 7) The contradiction between regulating itself and promoting the contract mechanism operating in a manner that relies on an external regulatory function. 8) The contradiction between local and central governments, between enterprises and localities, and between workers and enterprises, when it comes to sharing contract responsibility and enjoying the material benefits of the contract. 9) In the contract management responsibility system, the function of linking the management function and the enterprise production process, which demands that these functions must have continuity and permanence. While starting out, and linking the relationship between state and enterprises, this also demands that its function can be only transitory in nature, while two responsibilities emerge from this at once. And on and on. One could say that the duality of the foreign trade contract management responsibility system has a great deal of contradictory "strikes" against it.

Bringing to light the dual nature of the foreign trade contract management responsibility system has aided us in accurately appraising the present stage of the system's historical position and use, and to accurately consider its internal patterns. From this we can scientifically predict its evolution and developmental trends. First, we want to determine whether the foreign trade contract management responsibility system is truly blazing a trail and is a genuine breakthrough for operation and management of foreign trade enterprises, giving them a certain vitality. The implementation of the system has been useful in

furthering the maturation of the new foreign trade system, and has aided in eliminating all vestiges of the old system. At present, it can furnish the option of the truest, most effective model for ensuring the steady advancement of foreign trade system reform. Second, not only is the foreign trade contract management responsibility system not yet completely formed in the market system, the mechanisms of enterprise management were brought into full play at a time when they were still imperfect, so were limited by certain environments and conditions. The foreign trade contract management responsibility system followed production of a specific economic environment, and along with the deepening of reform and the forming of a new foreign trade system, followed the path of self-negation. Ultimately it was replaced by other management models. This demands that we must adopt the following attitude: While fully believing that there are merits and uses in promoting the development of foreign trade, we cannot belittle it as we please, which is self-negating, just because it carries with it certain vestiges and functions of the old system. Also, we cannot blindly exaggerate its scope and degree without limit.

At present, in order to perfect and develop the foreign trade contract management responsibility system, every locality is carrying out a great deal of beneficial probing; for example, scientifically determining contract bases and time limits, resolving situations where a contract mission's hardships and satisfactions are unequal, "whipping the fast ox," and the phenomenon of turning long-term management policy decisions into short-term decisions; accurately handling the relationship between responsibilities and rights in contracts, resolving what is not covered in contracts, resolving questions on the separation of contractual rights and responsibilities, and bestowing on contracting enterprises even greater self-management jurisdiction; standardizing governmental actions, establishing restraining mechanisms, and cutting down on administrative interference while strengthening indirect management; adjusting economic policies, including evening up the proportion of foreign exchange divided among the three experimental units in the trade plan, expanding the reserve foreign exchange proportions beyond that in the plan, permitting enterprises to reserve foreign exchange for repayment of adjustments, while going through many kinds of channels to raise funds, and carrying out internal foreign trade, comprehensively managing imports and exports, and comprehensively making up losses, etc., thus creating for enterprises a fairer environment for competition. All of these will effectively promote open thinking about the foreign trade contract management responsibility system with positive experiences, and will undoubtedly be of maximum benefit. As for overall reform of the foreign trade system, moving ahead in perfecting the foreign trade contract management responsibility system requires an emphasis on resolving three problems. The first is to perfect operational management, to strengthen mechanisms for enterprise self-motivation, self-restraint, and self-development; the second is to perfect the structure of management, to speed up the process of improving

enterprise internal structure; the third is to perfect economic regulation and control, turning from a reliance chiefly on directional plans to reliance chiefly on economic regulatory measures, and from direct to indirect macroeconomic control. These three problems are inter-related and interacting, with foreign trade enterprises' inner vitality dependent on improving enterprise structure and relaxing policies and legal environment; improving the internal enterprise structure and having a better economic environment emerge is dependent on starting foreign trade enterprises that are living and vital. Speaking in one sense, expounding the theory of the foreign trade contract management system's dual nature is nothing more than making foreign trade workers clear on turning the contradictions in their burdens into responsibilities, and raising their level of consciousness concerning their work.

### **Xinjiang Expects Increased Border Trade**

*HK3105093389 Beijing CEI Database in English  
31 May 89*

[Text] Urumqi (CEI)—The Western part of Xinjiang Uygur Autonomous Region expects to further expand trade and economic co-operation with the Soviet Union as a result of the recent normalization of bilateral relations.

As'hat Kerimbai, Commissioner of the Kazak Autonomous prefecture of Ili, said that during the Sino-Soviet rift many building projects in the prefecture, which has a border of 1,200 kilometers with the Soviet Union, stood still for decades.

The prefecture was empowered to directly deal with border trade in August last year. Since then, it has sent four trade delegations to the Soviet Union and concluded five contracts worth a total of 5.7 million Swiss francs.

It has also signed two contracts for processing hides and leather supplied by the Soviet Union.

Under the terms of the contracts, China will export thermos bottles, flashlights, knitwear, children's clothes and toweling coverlets while importing fertilizer, refrigerators and vacuum cleaners.

The Commissioner said the two countries have also reached many letters of intent. They provide for, among other things, barter trade, the setting up of co-operative clothing factories and color-film development shops, and the export of labor to the soviet union.

Traditionally, Ili has had three ports handling trade with the Soviet Union. Horgos was re-opened five years ago and Tacheng and Altay will resume operations soon.



### **Shanghai Strengthens Control Over Foreign Investment**

*HK2505160689 Beijing CEI Database in English  
25 May 89*

[Text] Shanghai (CEI)—Shanghai municipal government is taking measures to strengthen macro control over the propensity of foreign investment in the municipality.

According to a municipal plan, investment priority will be given to those projects that are blank in the country, in urgent demand in Shanghai, advanced in technology, and good in economic efficiency, projects using foreign supplied raw materials and producing export goods.

The plan noted that commercial projects like hotels, dancing halls, bars and bakeries are not expected to be approved this year. Foreign trade departments will have final say on projects approved by bureaus and counties within the municipality.

According to statistics, Shanghai has so far introduced more than 3 billion U.S. dollars of foreign funds used by 1,135 projects. Among them are 614 solely foreign funded ventures, involving an investment of 2.33 billion dollars.

Foreign investment propensity has been healthy in general, said Lu Guoxian, deputy director of the Municipal Commission of Foreign Relations and Trade.

But, he noted, problems still exist due to "blindness" and "lack of macro control." He said that there are seven disposable emulsion glove factories and eight renewable leather factories.

Moreover, he said, investment in some industries like toy, knitwear and garment is somewhat out of proportion and in conflict with the overall situation of China's foreign trade.

According to a survey conducted by the Municipal Statistic Bureau at the end of last year, half of the direct foreign investment in the municipality had gone to hotel industry. The trend began to change last year.

### **USSR, Sichuan Sign Economic, Technological Pact**

*HK2305131589 Beijing CEI Database in English  
23 May 89*

[Text] Chengdu (CEI)—An economic and technological agreement was signed here between Sichuan Province and the Russian Soviet Federated Socialist Republic recently.

Under the agreement, Sichuan will send agricultural experts to Novosibirsk Oblast to grow rape and vegetables and set up a joint venture to produce 150,000 cubic meters of timber a year and process fiberboard and

plywood. Sichuan Province will also provide labor service for the construction of 800 kilometers highway in New Siberia. It will set up a joint leather factory with Chelyabinsk, and open a Sichuan-flavor restaurant there.

### **Exchange Rate Readjustment Urged To Reverse Export Slide**

*40060611 Beijing JINGJI RIBAO in Chinese  
17 May 89 p 2*

[Article by Yan Kalin 7051 0595 2651: "Serious Slide in Export Trade"]

[Text] A serious slide has recently occurred in China's export trade.

National customs statistics show a 9.4-percent increase in the volume of exports nationwide during the first 3 months of 1989 compared with the same period in 1988, the amount of increase slipping 16 percentage points from the same period in 1988. If non-actual export factors such as the "three forms of import processing and compensation trade" are deducted, business statistics from the Ministry of Foreign Economic Relations and Trade [MOFERT] show a decline in export figures for the first 3 months of 1989 in comparison with the same period in 1988.

The serious slide in the export trade offers food for thought.

During the more than 10 years since implementation of the policy of opening to the outside world, China's export trade has maintained a fairly rapid development momentum. MOFERT business statistics show a more than doubling of the total volume of export trade nationwide from 1979 through 1988, with an approximately 15-percent average annual increase. In particular, the institution in 1988 of a responsibility system in the contracting of foreign trade powerfully spurred the zeal of local governments and enterprises for foreign trade.

Development of the export trade has had an important effect on the country's economic and social life. This has been manifested not only in the conditions provided for the expansion of imports, but also in an increase in the country's financial revenues, and it has particularly strongly advanced the development of domestic industrial and agricultural production. Some people estimate that approximately 20 percent of the country's gross output value of industry and agriculture is attributable to foreign trade. Therefore, during 1989, despite the need to cool down the overheated economy, the state continued to adopt measures to encourage exports, guaranteeing by every means the sustained and steady growth of foreign trade exports.

Why is it then that a serious slide in the export trade has occurred despite fairly good conditions and background?

People in economic circles believe that, in addition to the effects of a state decrease in the export of some commodities in short supply within the country, the main reason is that export trade has been caught in a pincer between tight money and rising prices.

People are aware that because of a tightening of bank credit during 1989, funds are in extremely short supply. Although loans for foreign trade are supposed to be guaranteed despite the funds shortage, in practice they have not been very well guaranteed. Reportedly, foreign trade departments plan to provide for more than 10 billion yuan in foreign trade bank loans during 1989, but as of now arrangements have yet to be implemented to provide an initial 3 billion yuan. Because of the lack of funds, some basic-level foreign trade companies have been forced to issue "IOU's" when making purchases, and numerous other foreign trade companies missed the peak period for procurement of foreign trade goods. This created a serious shortage of exports. This is one aspect of the situation.

Another aspect is too great a rise in domestic prices of commodities, with the result that export sales are no longer as attractive as domestic sales. For some commodities, the domestic price is several times, or tens of times, higher than the foreign sale price. As a result, many units engaged in production for foreign trade are not much interested in exports.

However, a further look shows other profound reasons for the serious slide in the export trade, such as confusing foreign trade procedures, lack of coordination in system reform, and malfunctioning macroeconomic regulation and control levers.

For example, because units concerned failed to catch up promptly in their management work following the "eating from separate kitchens" and the delegation of operating authority in foreign trade, preemptive buying "wars" to obtain available goods occurred among various companies engaged in foreign trade. This not only raised prices of export commodities, but also resulted in some foreign trade business units incurring losses when they had formerly shown a profit, or going from small losses to high losses. The result was to place artificial obstacles in the way of the export trade.

Another example is the problem of irrational foreign exchange rates. Currently, the renminbi official foreign exchange rate is 3.72 renminbi yuan per \$1.00. In fact, however, more renminbi must be surrendered in exchange for \$1.00 in the export of commodities. Such a difference in exchange rates leads to payment of a high price to earn foreign exchange from exports, while foreign exchange is surrendered at a low price for imports. This results in a problem of it being more profitable to import than to export, and more profitable to sell domestically than in foreign markets for a weakening of exports.

The slide in exports will directly affect foreign exchange earnings and enlarge the trade deficit. This will be unfavorable for this year's increase in the importation of needed market-regulating commodities, and important materials urgently needed in industrial and agricultural production. In addition, it will also be unfavorable for the maintenance of existing international market share. According to custom's statistics, imports and exports will balance out during the first quarter of 1989. After deducting assistance donations and the processing of imported raw materials for which no foreign exchange is paid, imports will be \$1.27 billion more than exports, \$1.39 billion more than for the same period in 1988. Obviously, adoption of beneficial measures to halt the export slide has become a priority matter.

Reliable information indicates that MOFERT is in the process of adopting some new methods to insure steady development of exports, such as institution of a system of "certifying each lot"; promotion of free consignment agents; and gradual rectification of situations in which commodities can easily ignite preemptive buying "wars."

Nevertheless, some comrades engaged in local foreign trade and some experts are also worried that sole reliance on the above method will not solve the problem.

Some people feel that until the most urgently needed foreign trade funds are made available, there is no use talking about anything else.

Other people suggest that until such time as the official foreign exchange rate and the actual foreign exchange rate for the renminbi are made identical, an effective halt to the export slide will be impossible.

These views deserve the serious consideration of MOFERT. Although readjustment of exchange rates is a major move that should be approached with caution, nevertheless, there positively can be no standing pat because of the need for caution, watching passively as the export trade suffers setbacks.

International experience shows that timely readjustment of irrational exchange rates can effectively spur exports. The sooner China's current exchange rate is readjusted, the sooner initiative is gained. The present slide in exports may be seen as providing further pressure for exchange rate readjustment.

**Shanghai Approves More Foreign Ventures**  
*HK1005120389 Beijing CEI Database in English*  
10 May 89

[Text] Shanghai (CEI)—In the first four months, Shanghai approved 104 foreign-funded enterprises, involving a total investment of 232 million U.S. dollars.

They consist of 94 joint ventures, nine cooperative enterprises, and one solely foreign-funded enterprise, foreign funds of 119 million, 8.13 million and 105 million dollars respectively.

This represents a steady increase of foreign investment in Shanghai.

So far, foreign-funded enterprises in the municipality have reached 614, involving a foreign capital of 2.333 billion dollars, of which, 57 from Hong Kong, 14 from Japan, 13 from the United States, and six from Singapore.

Among these enterprises, 94 are industrial productive ones.

### **EEC Countries Invest in Shanghai**

*HK1005120189 Beijing CEI Database in English  
10 May 89*

[Text] Shanghai (CEI)—Seven of the EEC member countries have invested in Shanghai, making EEC the third biggest trade partner of this largest industrial city of China.

In the first quarter, 29 projects involving over 320 million U.S. dollars have been invested by Federal Germany, Italy, Britain, Belgium, Holland, French and Denmark, a 62 percent increase in the number of projects and 21.27 percent in investment as compared with the same period of last year.

The biggest investment, 150 million dollars came from Federal Germany. It was followed by Italy, 58.69 million dollars, Britain, nearly 60 million, Belgium, nearly 40 million, Holland, 24.58 million, France, 1.31 million, and Denmark, 50,000 dollars.

Investment by the seven countries was focused on industrial productive projects such as the Shanghai Volkswagen (Federal Germany), the Shanghai Bell Telephone Equipment Manufacturing Co, Ltd (Belgium), and the Shanghai Yaohua Pilkington Glass Co, Ltd (Britain).

A dozen banks from the EEC Countries have business offices in Shanghai.

However, economists here hold that the development of economic relations between Shanghai and the EEC countries was rather sluggish.

### **Hainan Actively Promotes Foreign Trade**

*OW0905051389 Beijing XINHUA in English  
0728 GMT 4 May 89*

[Text] Haikou, May 4 (XINHUA)—The total export volume of business of south China's Hainan Province reached 281 million U.S. Dollars last year—1.43 times more than in 1987.

The figures were revealed by Provincial Governor Liang Xiang at the second session of the provincial people's congress.

The governor attributed the achievement to 30 preferential treatment clauses in its business regulations, including the right of all enterprises in Hainan to engage in the import and export of goods.

A State Council regulation passed last year that allows export-oriented enterprises in Hainan to keep their foreign currency income has also encouraged companies to make more profits, he said.

In addition, the establishment of North-South foreign trade groups by Hainan's native produce import and export corporation and 32 other companies across the country, made things easier for foreign dealers, he said.

In order to export more products, the province set up nine exporting systems for farm and sideline products and 60 export centers and special factories, worth a total of 150 million yuan (about 40 million U.S. Dollars) in investment.

The total export volume of business in Hainan this year is expected to reach 360 million U.S. Dollars, Liang said.

### **Shanghai Foreign Investment Shifts to Manufacturing**

*OW0905125889 Beijing XINHUA in English  
0118 GMT 9 May 89*

[Text] Beijing, May 9 (XINHUA)—After an excessive capital flow into luxury hotels for many years, foreign investment in Shanghai has finally shifted its preponderance to the manufacturing sector, according to a local report.

According to the report by the city's foreign economic and trade committee, published earlier, foreign-funded projects in this sector approved in 1988 and the first quarter of this year accounted for 90 percent of all such ventures accredited in the period.

Of the total contracted foreign capital value, the report said, industrial projects accounted for 56.7 percent, while hotels and other service outlets took up only 39.3 percent.

A breakdown of these projects shows that 23 big and medium-sized manufacturers of electronics, machines, instruments and raw materials each has more than five million U.S. dollars-worth of total investment.

In the period, also, the city achieved a total of 15 giant joint ventures, each involving at least 10 million U.S. dollars, which are expected to play a major role in readjusting the local industrial structure, the report claimed.



Many smaller projects, whose investment each involves less than five million U.S. dollars, are either technically advanced or export-oriented and rely on imported materials.

These projects, according to the report, will undoubtedly help the development of Shanghai's small businesses, especially the export-oriented rural industries.

Problems, however, remain concerning the direction of investment, the report admitted, resulting in duplication of projects, and competition with exports for resources and markets. Some projects have absorbed no technology or foreign capital, while some have only a few thousands of dollars as investment in the form of a single truck or copying machine.

The report attributed the problems to the mishandling of investment affairs after the city's district, county and bureau authorities were granted the right in 1988 to approve projects with foreign funds totalling less than five million U.S. dollars each.

To solve these problems, the report called for priority in approving projects that will meet urgent municipal or domestic demand, bring in advanced technology or promote export business.

It also suggested a ceiling for the control of projects in the non-production, processing and service sectors and for control of those that will affect China's foreign trade.

**Jilin Province Prioritizes Export Industries**  
*HK0905120789 Beijing CEI Database in English*  
9 May 89

[Text] Changchun (CEI)—Jilin Province in northeast China recently outlined its priority industries in developing products for export.

The first priority is the processing of farm and native produce and by-line products. The major ones are maize and its deeply-processed products, canned meat and fowls, ginseng and its processed products, various kinds of animal feed and serial products of fat and oil. Among these products, maize, ginseng and oil have a greater processing potentialities to be tapped.

The second is to develop key industrial and mining products including automobiles, non-metal products and petro-chemical products. The province will take the advantage of its rich resources in wollastonite [type of limestone] and swelled ground [a clay mineral with high swelling capacities that increases upon excavation] to produce new building materials and other products that meet required specifications for export.

The third is to develop high-tech products. The major items are farm and native produce and by-line products processed with biological engineering technology, micro-electronics, optical instruments and computers, new

medicines developed with traditional Chinese medicine. In the same time, the province will develop parts and components of high grade mechanical and electrical equipment, expand their proportion for foreign market and export more complete sets of equipment.

**Fujian To Set Up Investment Zone for Taiwan**  
*HK0205153589 Beijing CEI Database in English*  
2 May 89

[Text] Fuzhou (CEI)—Wang Zhaoguo, governor of Fujian Province, disclosed here on April 20 that Fujian will select a coastal area with good investment conditions to develop an investment zone for Taiwan business people or designate certain districts for their investment.

According to Wang, Taiwan business people may contract for developing the zone and building projects in the zone under preferential treatment. These areas will employ new managerial methods and offer excellent service. Apart from constructing bonded factories and warehouses, they will build infrastructural facilities and develop basic and newly emerging industries to expand multi-level economic cooperation between Fujian and Taiwan.

Fujian will strive to make investment overseas in cooperation with Taiwan businesses and undertake overseas processing on contract, production of fixed brand goods and international entrepot trade.

**Qingdao Policies Attract Overseas Investors**  
*HK0405121589 Beijing CEI Database in English*  
4 May 89

[Text] Qingdao (CEI)—Qingdao in East China's Shandong Province has adopted policies to promote the development of foreign-funded ventures amidst the current economic rectification.

The policies include: 1. Carrying out signed contracts, continuing projects in construction and approval of new projects; 2. taking measures to guarantee supply of raw materials, and managerial independence of joint-ventures; 3. giving priority to the supply of raw materials and funds for enterprises under construction.

Of the 38 Sino-foreign joint and cooperative ventures, 36 have achieved good economic results. The other two are not so successful due to the price fluctuations at home and abroad and renovation.

The implementation of these policies and improvement in investment environment have attracted more overseas investors. In the first three months, Qingdao approved 20 foreign-funded ventures involving 10.35 million U.S. dollars.

So far, the city has approved 75 joint, cooperative and solely foreign-funded ventures with a total investment of 345.7 million dollars, 203 million dollars being contracted foreign investment.

**Consulting Service To Aid Foreign Investments**  
*HK0405004289 Beijing CHINA DAILY in English*  
4 May 89 p 2

[By staff reporter Qian Hong]

[Text] A new consulting service to help foreign-invested enterprises in financial and operational difficulties was officially launched yesterday in Beijing.

The China International Economic Consultants (CIEC), a leading Chinese consulting firm, and Arthur Andersen and Co, one of the world's top accounting and consulting firms, will jointly provide the service, the first of its kind in China. The start of the service came during a joint seminar on "the company doctor" arranged by Arthur Andersen and CIEC, which was founded in 1981 as a subsidiary of the China International Trust and Investment Corporation (Citic).

"The service will offer an alternative to the traditional response by identifying, addressing and finding solutions to the problems foreign-invested enterprises face," Michael Nacson, a representative of the American partner, told the seminar attended by representatives from banks, government agencies and enterprises.

China's traditional response to the problem of ailing enterprises has been government bail-out. But the government cannot continue to finance money-losing enterprises.

The foreign-invested enterprises include joint ventures, companies solely-owned by foreign investors and those companies involving compensation trade.

By the end of the March they numbered 15,948 in China, Chu Baotai, deputy director of Foreign Investment Administration under the Ministry of Foreign Economic Relations and Trade (Mofert) said.

More than 6,000 are in operation.

Around 10 per cent of the foreign-invested enterprises have faced financial difficulties, he said.

These may benefit from the new service as may profitable ventures that encounter problems such as shortages of raw materials and energy, difficulties in calculating the cost of investment due to the price hikes, imbalances of foreign currency exchange, and struggles for independence in managing operations.

Qu Qiyuan, vice-president of CIEC said that since China's Bankruptcy Law came into effect last November, "company doctors" have had an increasingly important role to play in determining whether an ailing enterprise can be saved or not.

**Measures Proposed To Stimulate Direct Foreign Investment**  
*HK1105095189 Beijing RENMIN RIBAO in Chinese*  
8 May 89 p 6

[Article by Nie Haiying 5119 3189 7751: "Thoughts Related to the Use of Direct Foreign Investment"]

[Text] Our country has achieved marked results in making use of direct foreign investment in the past 10 years, but there are also many problems. It is now necessary to seriously sum up the experience in this regard. This article will review some aspects of the use of direct foreign investment in the past 10 years when our country was undergoing structural changes and the domestic economy was also undergoing periodic fluctuations. The purpose of this review is to prevent us from attributing the increases and fluctuations in direct foreign investment completely to the rights and wrongs of our policies. This will help distinguish the two types of factors that affect direct foreign investment, namely, the constraints of the existing structure and the constraints of the existing productive forces.

**I. Increases and Fluctuations**

A comprehensive analysis of the main economic indicators in our country shows that there exist periodic fluctuations in our country's economic growth. That is, economic expansion and economic contraction appear alternately. To a large degree, such periodic economic fluctuations are caused by periodic fluctuations in investment. Statistical analysis shows that the general economic growth rate changes in exact proportion to the growth rate of investment in fixed assets.

Through the exploratory and preparatory stage from 1979 to 1982, our country began to make use of direct foreign investment on a large and growing scale. From 1979 to 1987, the total value of the contracts we signed with foreign investors amounted to \$22.8 billion, and the actual amount of foreign capital invested in China reached \$8.9 billion. In this period, the direct investment of foreign capital was not only influenced by the situation in the movement of international capital and stimulated by our country's policy of attracting foreign investment, but also was constrained by domestic economic fluctuations and investment fluctuations. Statistics show that in this period, the growth rate of agreed foreign investment, the growth rate of general social production, and the growth rate of investment in fixed assets all changed in direct proportion. This is because in the periodic economic fluctuations in our country, the manufacturing and construction industries experienced the biggest degree of fluctuation. Investment in these

industries increased by the biggest margin, and the manufacturing industry expanded most rapidly. As a result, direct foreign investment was also drawn into these industries and fluctuated synchronously. This was reflected in the fact that the inflow of international capital was constrained by periodic investment fluctuations, and also reflected in the fact that the operation of existing foreign investment ventures was also affected by the short supply of resources and some economic bottlenecks in the periods of economic contraction.

## II. Contradiction and Predicaments

Through the reforms in the past 10 years, our country is now in a period of transition from the old structure to the new one. The special structure in this period is also a major reason for the periodic economic fluctuations, and also directly affects the inflow of international capital into China. Although we hope that foreign investors will manage their ventures in the light of international conventions, as a matter of fact, their ventures can develop only by adapting themselves to the existing structure.

There are various problems in the investment environment in our country. There are such "hard" problems as the inadequacy of transport and communications facilities and the shortage of energy resources and raw materials, which are related to the low level of productive forces; and there are also such "soft" problems as the imperfections of the legal system and the low efficiency of administration. If comparison is made with some developing countries, the "hard" investment environment is in fact not too bad. Through the efforts of the central authorities and all parties concerned, the legal system and administrative work efficiency have also been greatly improved. At present, a more difficult problem is that we have not built up the necessary market system under the existing structure and still lack unified markets for capital goods, funds, and labor. Because there is no unified capital goods market, foreign investment ventures cannot procure production materials at a fair market price and cannot get the raw materials they need, even though prices are quoted. Because there is no financial market in real terms and all funds must be allocated by the financial department of the government or the banks according to the state plan under the existing structure, the funds available to foreign investment ventures are very limited and they have to face longstanding shortages of working funds. Because there is no labor market, it is hard for foreign investment ventures to employ the personnel they need and it is also hard for jobless people in our country to find jobs in these ventures.

As for the distribution of foreign investment in various trades, statistics show that 43 percent of direct foreign investment was made in the hotel and other service industries; 2 percent was made in agriculture, animal husbandry, and fisheries; 34 percent was made in the energy industry (mainly offshore oil prospecting and development); 4 percent was made in the raw materials

industry; and 17 percent was made in other industries. Foreign investment was obviously biased toward the hotel industry, other service industries, and light industry. This can hardly play a positive role in optimizing the industrial structure in our country. A direct reason for such a foreign investment pattern lies in the difference between the strategic objective of international capital investors and the strategic objective of our country's efforts to use foreign capital. At a deeper level, this problem can also be attributed to the current dual structure that allows both the old and the new systems to function at the same time. On the one hand, the old price structure in our country was inappropriate for a long time, compared with the price structure in international markets. That is, the prices of raw materials and energy products, as well as transport charges, remained at too low a level for a long time; while the prices of manufactured goods were too high. This inappropriate price structure inevitably caused the inclination of foreign investment. On the other hand, after greater powers were delegated to the enterprises, which were also allowed to keep more profits in their hands, the enterprises thus had a stronger motivation to seek higher profits, but the budget control mechanisms in the enterprises remained ineffective. As a result, their "hunger" for investment aggravated the distortion of prices, and this also guided foreign investment to an incorrect orientation. This shows that the market mechanism in real terms did not play a major role in determining the orientation of foreign investment in China.

The most serious problem encountered by foreign investment ventures in their business management was the administrative interference from various government departments. The economic benefits, personnel arrangements, and development plans of the foreign investment ventures were all subject to such administrative interference. Strictly speaking, this is not a problem in the internal management of these enterprises, but a problem in the relationship between the government and the foreign investment ventures. Under the old system, enterprises in our country were for a long time affiliated with various government departments, and the property rights in the enterprises were not clearly defined. The interests of the enterprises were simply mixed up with the interests of the state. The ingrained ideas and concepts formed under the old system made some government officials feel that enterprises' internal management also came into the scope of their duties, and they used to treat foreign investment ventures in the same manner. However, in the field of overall management and supervision of direct foreign investment, there appeared some confusion after the administrative decentralization measures were adopted. Different or even contradictory policies were set by the authorities at different levels and in different departments. Localities vied with each other in offering lower tax rates to attract foreign investors, but the trades under unified state management could not display salient advantages to attract the foreign investment they needed.

### III. Prospects and Solutions

In general, three-fourths of international capital is invested in developed countries, and a large percentage of the remaining part flows into developing countries that can ensure high yields. At the same time, there is intense competition among ordinary developing countries. In particular, our country has to face competition from the ASEAN countries. In our country, the main task for the next 2 years is to control gross social demand, curtail the scale of investment in fixed assets, improve the economic environment, and rectify the economic order. Therefore, due to the constraints in internal and external conditions, the direct foreign investment we can attract in the coming few years will not increase too rapidly. In these circumstances, we should pay attention to raising the economic yields of existing foreign capital and optimizing the orientation of foreign investment.

At present, more direct foreign investment has been shifted to productive trades, but in the near future no substantial foreign investment will be made in the trades which have become bottlenecks in our national economy. So we need to give all-round consideration to the orientation of foreign investment. Less domestic investment should be made in manufacturing industries as they have attracted more foreign investment than other industries do. In these industries, we should better absorb advanced foreign technology and management skills.

The disadvantages of the current structure and the overheated economic environment have adversely affected the operation of foreign investment ventures. In particular, the high inflation rate and the sharp rise in prices of production materials have raised the production costs and overhead of foreign ventures and lowered their competitive power in international markets. This has thus increased the difficulties in the feasibility studies of foreign investors' plans for investment in China. Therefore, we still need to adopt some proper policies and measures to deal with this problem in the course of improving the economic environment, rectifying the economic order, and curbing inflation.

In order to resolve the shortage of working funds, some comrades have suggested that the funds needed by foreign investment ventures also be included in the state budget. However, as the available funds in the state plan are very limited, and the funds have all been earmarked for special purposes, it is very hard to allocate more funds to foreign investment ventures. In addition, this practice is not in line with the long-term objective of our reform, that is, to bring the market mechanism into play. It seems that we should lay more stress on establishment of more ventures solely owned by foreign investors, because the property rights in such enterprises are clearly defined and they will become a vigorous factor for promoting a reasonable relationship between the government and the enterprise and for promoting the formation

of competitive markets. In this sense, the use of direct foreign investment will not only enable us to achieve advanced technologies and management skills, but will also effectively promote the formation of the market mechanism and promote the development of in-depth reforms.

**Jilin's Trade With USSR, Korea Up**  
*HK1005115189 Beijing CEI Database in English*  
10 May 89

[Text] Changchun (CEI)—Jilin province's border trade with the Soviet Union and democratic Korea in the first quarter amounted to 37.46 million yuan, a two-fold increase over the same period last year.

Products exported to the Soviet Union include Ginseng toothpaste, thermos flasks and enamelware; those to Korea are toilet soaps.

Jilin is holding barter trade talks with the two countries on the export of clocks, high-grade glass decorations and processing of match with clients' materials. The volume of its export is expected to top 10 million yuan in the first half of this year.

**Exchange Problems for Foreign Investors**  
*HK1105055089 Hong Kong ZHONGGUO TONGXUN*  
*SHE in Chinese 0340 GMT 1 May 89*

[Text] Hong Kong, 1 May (ZHONGGUO TONGXUN SHE)—According to Lau Hsing-hong [0491 6821 7160], partner of the Arthur Young Certified Public Accountants, Hong Kong, foreign businessmen investing in mainland China encounter many problems because of difference between Chinese accounting system and the foreign system, and they are becoming more acute.

Lau Hsing-hong expressed that generally speaking, most of the account books of the three types of enterprises using foreign investment took the U.S. dollar as the accounting unit. However, the enterprises were required to take Renminbi as the accounting unit when they deliver their tax return. Therefore, there was a problem concerning the exchange rate between the U.S. dollar and Renminbi.

At present, there are different exchange quotations. One of them is the official rate. The second one is the negotiated price quoted by the foreign exchange adjustment center run by the government. The third one is the black market rate. The price difference among the three of them is great. Lau Hsing-hong expressed that the accounting unit in U.S. dollar must be converted into Renminbi at the time of account settlement even though there was no actual transaction. Therefore, the accounts could only be converted according to the official exchange rate. Since there was a difference between the official rate and the market rate, and no foreign exchange reserves was allowed under the Chinese accounting system, the profits as well as taxable income of foreign

businessmen were over-assessed. He pointed out that since the gap between the negotiated price quoted by the foreign exchange adjustment center and the market rate was recently widened, and the value of Renminbi fluctuated sharply, the problem had become more acute.

He pointed out that in order to solve this problem, some foreign companies keep different sets of account books in accordance with different laws and regulations. One of them was kept by converting foreign exchange into Renminbi at the official rate according to the Chinese regulations. The second set was kept by making entries at the market rate and maintaining foreign exchange reserves according to the international accounting rules. Though this has solved problems arising from the difference in the accounting system, it brings about an increase of cost and other technical problems.

He pointed out that at present, mainland China, Hong Kong and overseas experts hold different viewpoints on the interpretation of many accounting items. But mainland China had recently revised its point of view on many items in this respect.

Lau Hsing-hong said that several Chinese companies still do not fully utilize the expertise of accounting, or improve the feasibility and reliability of projects. The senior personnel of some Chinese companies simply treated accountants as bookkeepers, and neglected the accounting work concerning financial proposal and cost analysis. This phenomenon was very serious in mainland China. Therefore, companies from mainland China often experienced wastage and suffered losses as they carried out large-scale overseas investment and transactions without hiring an accountant to conduct any feasibility study or financial analysis.

## ECONOMIC ZONES

### Market System 'Develops'

HK0405122189 Beijing CEI Database in English  
4 May 89

[Text] Haikou (CEI)—Market system is developing in China's largest special economic zone, Hainan province, where products from consumer goods to production means to farm produce can all be exchanged freely on the market.

Hainan province has already established a system of transfer of land-use rights, with the emergence of a real estate market.

So far, Haikou City, capital of the province, alone has approved the transfer of some 1,900 acres of land to 128 buyers.

A financial market is also being formed in the province with the establishment of a foreign exchange transaction center. Some enterprises and financial institutions in the province have been approved to issue bonds. Foreign financial and banking institutions also have entered the province.

According to statistics, in addition to state banks, eight financial institutions from other provinces with a capital of 420 million yuan (about 120 million U.S. dollars) and 100 million Hong Kong dollars are operating in the province. Nanyang Commercial Bank, Ltd. of Hong Kong has opened a branch in Haikou.

So far, 150 private science and technology institutions from 26 cities, provinces and autonomous regions have registered in Hainan. Their research fields include agriculture, forestry, electronics and ocean engineering. The institutions have a total staff of more than 3,000.

Since Hainan became a special economic zone, its labor market has developed quickly. Enterprises can choose laborers and laborers choose enterprises as they wish.

This year Hainan will continue to develop consumer goods market, expand financial market and improve the foreign exchange transaction center.

### Qingdao Economic Zone Improves Investment Environment

OW3105055489 Beijing XINHUA in English  
0058 GMT 30 May 89

[Text] Qingdao, May 30 (XINHUA)—Infrastructural construction is speeding up in the Qingdao economic and technological development zone, according to officials from the Qingdao government.

By the end of April, the zone has accumulated an investment of 203.85 million yuan, of which 3.85 million yuan was invested in the first quarter of this year. An area of 194,000 sq m [square meters] of ground facilities has been completed, of which 44,000 sq m was finished in the first four months of this year.

The zone has constructed 11 transportation lines totaling 15 km, a network of pipes, power transmission substations, a post office, a microwave station, digital telephones, a power station, a sewage pumping station, and factory buildings, residential apartments and shopping centers.

By the end of April, 109 projects had been approved, of which 27 are foreign-funded ventures, with a contracted investment of 710 million yuan. This figure contains 67.66 million U.S. Dollars.

The zone has introduced nearly 70 projects since the beginning of last year. Thirteen of these have investments exceeding 10 million yuan.



By April, 54 ventures had started operating. The first four months saw the realization of a total of 183.9 million yuan of output, exporting 1.97 million U.S. Dollars worth of goods.

At the provincial economic and trade talks this year, the export volume of the zone made up of one-third of Qingdao's total business volume.

**Increasing Investment in Xiamen Special Zone**  
*HK1605075789 Hong Kong SOUTH CHINA  
MORNING POST (BUSINESS POST)  
in English 16 May 89 p 4*

[By Kenneth Ko]

[Text] Taiwanese investors have shown strong interest in the Xiamen special economic zone as the relationship between Beijing and Taipei improves.

Xiamen has approved 68 foreign projects during the first four months of this year, half of which are funded by Taiwanese capital. So far, there are 137 Taiwanese companies in the zone with a total investment of U.S. \$216 million.

To cope with an increasing amount of Taiwanese investment, Xiamen officials are looking to speed up the development of its infrastructure and the establishment of a special industrial region for the Taiwanese.

Jiang Ping, deputy mayor of the Xiamen municipal government, said yesterday they were impressed by the performance of Taiwanese investors.

He said the improving relationship between Beijing and Taipei would pave the way for the further development of Xiamen which was becoming a "hot spot" for foreign investment, especially among the Taiwanese.

With the arrival of an increasing number of Taiwanese investors, Mr Jiang said the municipal government was studying ways to allot more land to accommodate them in the zone.

He said it was pressing for the construction of a special industrial centre for the Taiwanese in the city.

In addition, Xiamen officials are planning a series of expansion programs to cope with the Taiwanese and other foreign business in the city.

Mr Jiang said the municipal government was also planning to upgrade its transportation, telecommunications and electricity supply facilities, in a bid to cope with increasing trade volume.

Mr Jiang said a conference on the investment and trade development of Fujian province would be held in September.

### **Revenues Increase 25 Percent**

*HK0305122389 Beijing CEI Database in English  
3 May 89*

[Text] Haikou (CEI)—Hainan's revenue reached 428 million yuan last year, 20.8 percent more than the amount for the previous year.

The governor of Hainan, Liang Xiang, disclosed the figures at the second meeting of the provincial people's congress held here recently.

He said the province collected 384 million yuan in industrial and commercial taxes last year. That represented 116.4 percent of the budgeted revenue and 23.1 percent more than the amount for the previous year.

Last year, the province reorganized the system for distributing profits in an attempt to promote the reform of the business ownership system. Now, businesses have to pay income tax according to the unified tax rate before the distribution of profits. The government's share of the profits has to be submitted to the government.

The practice has not only ensured the increase of government capital, but also prepared the way for the adoption of the shareholding system.

Last year, state-owned enterprises in the province handed in 71.41 million yuan to the government, which is 27 percent more than the amount for the previous year.

## **LABOR**

### **Labor Official Calls for 'Personnel Mobility'**

*OW1605032389 Beijing XINHUA in English 0129  
GMT 16 May 89*

[Text] Yantai, May 16 (XINHUA)—China must strive to establish a "personnel mobility" system within five years, Zhang Jingfu, vice minister of Labor and Personnel, said yesterday.

Zhang told the nation's first meeting on "personnel mobility," held in Yantai by the Labor and Personnel Ministry, that bureaus designed to facilitate the movement of personnel from one job to another are gradually becoming established across the country.

A pool of talented personnel, with training and experience essential to the establishment of China's fledgling market-oriented economy has already emerged in some localities, and rules are being formulated for their employment, Zhang said.

As a result of the greater effort to fit the right person to the right job, 210,000 specialized personnel went to work in township businesses and scientific research organizations in 1986 and 1987.

However, the country is still facing difficulties in moving talented personnel from one work unit to another, Zhang said.

A recent survey shows that 30 percent of the country's total specialized workers want to transfer to different units, but only 2.6 percent have actually been able to move to more suitable jobs.

On average, a specialized worker enjoys only a 0.8 percent chance of achieving job transfer—a rate far below that of other countries, especially developed nations.

Zhang said China should target its future personnel mobility model to a planned market and establish a market-oriented personnel placement system under effective state control.

To achieve this, he said, it is necessary to adopt "double direction choices," in which the applicant is allowed to choose for which jobs he wishes to apply. Work units are permitted to ask for specifically qualified personnel to meet their needs, rather than simply having to accept new workers assigned by the state.

Zhang also suggested that a social insurance system should be set up to add to the variety of ways of guaranteeing choices made by individuals, offices and enterprises.

A service network is also needed to help individuals and units to select the right person for the right job, he said.

And finally, the state must have the administrative ability to exercise legal and economic control of the job market, in order to ensure the efficient flow and regional balance in employment of the country's talented personnel, Zhang said.

#### **Urban Unemployment Expected To Rise**

*HK0505130389 Beijing CEI Database in English  
5 May 89*

[Text] Beijing (CEI)—The number of China's urban people waiting for jobs will see a big increase this year, imposing heavy pressure on the government's employment work, according to a recent survey.

This year is a peak for the growth of China's labor force and about 11 million urban people will need jobs. State-run enterprises and institutions plan to employ three million people this year. Cooperatives and Sino-foreign joint ventures can only employ a limited number of people while private enterprises in many areas are already fully staffed.

It is predicted that the number of people waiting for jobs in China will increase to six million by the end of this year.

#### **Population Growth Called 'Serious Practical Problem'**

*HK1406025189 Beijing RENMIN RIBAO in Chinese  
29 May 89 p 6*

[Article by Xing Long 5887 7893: "China's Population Issue in Modern Times"]

[Text] The population issue in modern times is the basis for population development in contemporary China.

Today, the problem of population is not only a problem attracting worldwide attention, but also a serious practical problem in China, which is carrying out its modernization drive. To make a historical exploration into China's modern population problem will not only help people gain an overall and profound understanding of semicolonial and semifeudal modern Chinese society, but will also be significant to solving the population problem in the new period and to formulation of a new population policy.

#### **The Birth Rate, High Death Rate, and Low Natural Growth Rate Are the Characteristics of China's Population Problem in Modern Times**

The Qing Dynasty was an important historical period in China's population development. According to historical documents, from the Han Dynasty, which began to keep a population record, to the Ming, China's total population was kept at about 40 million to 60 million. In nearly 20 years from the end of the Ming to the early Qing Dynasty, the total population dropped further, due to social disorder and economic depression. During the reigns of Emperors Kangxi, Yongzheng, and Qianlong, the feudal rulers adopted an economic policy of "no extra levies on newborn population" and "distribution of land according to the number of men." They also made a further readjustment to the household registration system to stimulate population growth. As a result, China's total population increased at an unprecedented rate. In the sixth year of the reign of Emperor Qianlong (1741), Chinese population reached 100 million. It continued to grow, reaching 200 million and 300 million in the following years. In 1840, when the Opium War broke out, it reached more than 412.8 million.<sup>1</sup>

The development of Chinese population in modern times can be generally divided into three periods: First, the period of slow increase, from the Opium War to the outbreak of the Taiping Revolution. During those 10 years, as the economic policy adopted by the Qing government to stimulate population growth continued to play its role and the imperialist aggressive forces had not yet entered the interior, the trend of continuous growth in population also continued. In the first year of Emperor Xianfeng, China's population reached more than 431.8 million, the highest of that period. Second, the period of decrease, during the more than 10 years of the Taiping Heavenly Kingdom. In that period, because of the Taiping Revolution in the south, the uprising of

the Nian army in the north, the uprisings of minority nationalities in the northwest and other areas, that lasted more than 10 years and involved more than 10 provinces, and the brutal suppression and massacre by the reactionary armed forces of the Qing government and foreign invaders, the national population dropped sharply. "Figures for several provinces are missing. According to those on record, the population was only about 200 million or more."<sup>2</sup> In the last 30 years or so of the Qing Dynasty and the more than 10 years under the rule of the Northern Warlords, population development was unstable. During this period, as a result of the long-term efforts of the broad masses of people, the postwar social economy began to revive, and the population began to grow slowly again. In the early 1920's, it reached more than 420 million. However, as the feudal autocratic system, which ruled China for more than 2,000 years, had finally come to a stage of collapse, and imperialist aggression had been stepped up, as there were continuous natural disasters and peasant uprisings, the rule of the Qing government was faced with a serious crisis. All this made population reproduction more unstable. At the end of the Qing Dynasty and beginning of the Republic of China, China's population had not yet returned to its level of the first year of Emperor Xianfeng.

China's population development experienced a falling and rising period in modern times. Compared with the middle period of the Qing Dynasty and the development of world population in the same period, the speed of population growth in modern China was rather slow. It was a high-high-low type of population reproduction, which was characterized by a high birth rate, high death rate, and low natural growth rate.

Judging from the natural changes in population, the natural growth rate depends on the birth and death rates. In modern Chinese society, with the natural economy as the main body, the increase in labor force by reproduction was still a necessary condition for the existence and development of society and was an internal economic demand as well. In addition, there were various traditional ideas fettering the Chinese people, such as early marriage and early child-bearing and "more sons, more blessings." All this resulted in a high birth rate in modern China. However, there was also a high death rate. As a result, population did not grow at a high rate. It is true that the production method in semicolonial and semifeudal Chinese society was the root cause of the slow population growth in modern China. However, wars, natural calamities, and opium were the main and direct factors. The negative influence of wars and natural calamities on China's population growth in modern times was obvious for all to see. After Zeng Guofan took over Nanjing, more than 100,000 people were killed in 3 days. In the Hailanpao Incident, the Russians killed more than 200,000 Chinese. After the Taiping Revolution, many areas became uninhabited, while in other areas, half the inhabitants had been killed. In the late Qing Dynasty, more than 37 million people died in

natural calamities.<sup>3</sup> These are some examples to show the reasons for the high death rate in China. On the other hand, the Opium War had an invisible but continuous influence on the decline of the Chinese population. Before the Opium War broke out, some officials and soldiers began to take opium. After the reigns of Emperors Xian Feng and Tong Zhi, the Qing government adopted a policy of "making a levy instead of prohibition" toward opium, openly recognizing importation of opium as legal. Later, as its policy encouraged growing opium poppies, taking opium and growing opium poppies became more and more popular. "Opium houses could be seen everywhere in towns and villages, and many people were taking opium even in poor villages and remote areas. According to a rough estimation, about 70 to 80 percent of the people were taking opium."<sup>4</sup> As so many Chinese people were taking opium at that time, their "energy and vigor had been consumed" and they had been physically ruined. Their life span was shortened and their ability to reproduce was affected.

#### **The Source of Surplus Population in Modern China Is the Semicolonial and Semifeudal Mode of Production**

Although population growth was very slow in modern semicolonial and semifeudal China, the amount of surplus population increased.

The so-called "surplus population" refers to the relative "surplus" population under certain productive conditions. It does not refer to the size of the population.

Without doubt, the source of surplus population in modern China is the semicolonial and semifeudal mode of production. The invasion of the capitalist forces destroyed China's traditional agricultural and handicraft layout, which was originally able to accommodate a larger labor force. It also accelerated the collapse of the self-sufficient natural economy. Thus, there appeared a large amount of surplus population. On the other hand, due to fierce imperialist and feudalistic oppression and exploitation, capitalism developed very slowly in China. It was unable to accept the tens of thousands of surplus people. This meant that a large amount of surplus population had appeared and would continue to appear in modern China.

Compared with the surplus population under capitalism, the surplus population in modern China had two distinctive characteristics: First, the problem of surplus population became prominent in Western capitalist countries only after the capitalist system was established, but it appeared in modern China with the sharp population increase at the end of the feudal society. The more than 400 million population before the Opium War was a historical prerequisite for its development. Second, in capitalist society, the fast development of productive forces and the use of machines resulted in the expansion of the ranks of wage laborers. On the other hand, with

constant increases in capital accumulation and improvement in the organic structure of capital, the demand for labor was relatively reduced. Marx summed up this phenomenon as "population being oppressed by the productive forces." In modern China, things were just the opposite. The ranks of surplus population were expanding day by day due to long-term stagnation of the productive forces, and the surplus population then became a serious obstacle to the development of productive forces. This can be referred to as "the productive forces being oppressed by population."

What, then, were the forms of existence for modern China's surplus population? In our opinion, the three forms of existence of the relative surplus population under capitalism analyzed by Marx are also applicable to the existence of surplus population in modern China. First, the floating surplus population. This segment of the surplus population existed mainly in the cities. They are composed of unemployed workers of various industries. As industrial development in modern China was quite limited and the proportion of industrial workers in the total population was very small, the amount of such floating surplus population was also very small. Second, latent surplus population. This part of the surplus population existed in the agricultural population, which made up 85 percent of China's total population. They were formed chiefly by the decline in agricultural production and serious natural calamities. This was the main form of surplus population in modern China. Third, the stagnant surplus population, which existed in the agricultural and handicraft populations. They were a result of the continual disruption of the natural economic structure.

The problem of surplus population brought serious social consequences to modern China. Before the Taiping Revolution broke out, Marx had already clearly pointed out: "In this country, the slowly but continuously increasing surplus population has long since turned its social conditions into heavy shackles on the great majority of the nation."<sup>5</sup> In modern China, except in the northeast, cultivated land had ceased expansion and the development of productive forces had stagnated for a long time. Feudalistic production relations became a heavy shackle on the development of productive forces. Together with foreign capitalist forces, they had suppressed the development of China's national capitalism. As a result, the problem of surplus population became an inextricable burden. Many problems, such as backward economic development, grain price increases, continuous calamities, dislocations in the ecological environment, and "mass uprisings" everywhere, had their roots in the serious surplus population.

#### **The Distribution and Movement of the Modern Chinese Population Followed a Complicated Course**

Judging from the mechanical changes in population, the distribution and movement of modern Chinese population also followed a complicated course.

In the history of the Chinese nation, the middle and lower reaches of the Huanghe were the source of ancient civilization and major places of population distribution. After the Han Dynasty, along with socioeconomic development and changes, the center of population distribution gradually shifted toward the southeast. In modern China, after total population reached a historical high, a main characteristic of China's population distribution was that the interior population continued to move toward the northeast, north of the Great Wall, and the northwest. At the same time, to find other means of livelihood, or after being abducted by foreign invaders, many people in coastal areas went abroad and resided in other countries. Thus, the longstanding gap between east and west with respect to population distribution was gradually narrowed.

In the first year of Emperor Xianfeng, China's total population reached more than 430 million, which was an all-time high. The center of population distribution was in the southeast, and there was a trend of progressive decrease from the coastal areas to the interior. During the Taiping Revolution, there was a great decrease in the population of various southeastern provinces. In Jiangsu and Zhejiang, the population was reduced by more than a third. More and more people from Guangdong, Fujian, and other coastal provinces moved to other countries in order to find other means of livelihood, or as a result of being abducted by imperialist invaders. Thus, population growth in these provinces slowed down and the density of population there also dropped. On the other hand, as "the cultivated land was insufficient and there were too many people" in the interior, in order to maintain its feudalistic rule, the Qing government encouraged people to move to the northeast, north of the Great Wall, and northwest. As a result, the population of the western areas continued to increase and population density gradually increased also. The gap between east and west with respect to population distribution was further narrowed. However, judging from the overall situation, the imbalance in population distribution was still a big problem in modern China.

Judging from population distribution in the cities and the countryside, China's rural population always made up more than 85 percent of its total population in modern times. However, the flow of rural population into the cities, that is the course of population urbanization, was also developing slowly. In the past long history of feudal society, China had been among the most advanced countries in the world regarding population urbanization and the scale and number of cities and towns. But it lagged far behind in these respects in modern times. Beginning in the second half of the 18th century, the major capitalist countries in Western Europe experienced a bourgeois revolution and an industrial revolution. As a result of the development of the capitalist economy, the use of machines in agricultural production, and the capitalization of agriculture, large numbers of farmers and handicraftsmen were forced to leave the land. At the same time, economic

development in the cities provided them with new opportunities. Thus, "population was concentrated as had happened to capital."<sup>6</sup> The urbanization of population was greatly accelerated. Chinese agriculture was not capitalized in modern times. The decline of agricultural production forced millions of peasants to leave their home villages and flow into the cities. However, the development of the cities was quite limited. Although some large cities, such as Shanghai, Guangzhou, Hankou, and Tianjin, had arisen along the river and coastal areas, their scope was limited and their production was insufficient. Moreover, they had the color of a colony. On the other hand, because of economic recession and wars, the development of some old feudalistic cities, such as Xian, Kaifeng, Beijing, and Hangzhou, had stagnated for a long time. As a result, the urbanization of population in modern China had lagged far behind the development of the world in the same period.

The population problem was always a serious social problem in semicolonial and semifeudal China, and the representative figures of various classes had put forth all kinds of formulas for its solution. During the Taiping Revolution, Wang Shiduo said in alarm: "The reason for disorder and poverty is the large population.... Long-term stability brews disorder."<sup>7</sup> Then he put forth some concrete methods, infanticide, and birth control. At the end of the Qing Dynasty, Xue Fucheng also regarded the large population as a burden and the source of poverty in that period. Later, while criticizing the Malthusian theory on population, Sun Yat-sen, Liao Zhongkai, and other revolutionaries put forth their proposals on "migrating people to remote areas," promoting production, and increasing the quality of the population. In the 1920's and 1930's, some scholars also offered concrete methods and plans for the same purpose. However, none of them could really help to solve the problem.

After the founding of the state and the establishment of the socialist system, the Marxist theory on population provided us with a real possibility for solution of this problem. The pity is that due to the obstruction of the "leftist" mistakes, the correct "new theory on population" of Mr Ma Yinchu was wrongly criticized, which led to the occurrence of some mistakes on this question. Today, "a large population and a weak economic basis" is still the basic national situation in our country. We must learn from our past experiences and lessons and work out a good population policy that is suitable for the new period. This is a practical problem we must consciously solve in our modernization drive.

#### Footnotes

1. Liang Fangzhong, *Statistics of Chinese Population, Land, and Land Tax in Past Dynasties*.

2. *Manuscript on the History of the Qing Dynasty*, Vol 121.

3. Deng Yunte, *A History of Natural Calamities in China*.

4. Liu Dapeng, *On Opium, a Diary of Daydreams*.

5. *Collected Works of Marx and Engels*, Vol 7, p 264.

6. *Collected Works of Marx and Engels*, Vol 2, p 300.

7. Wang Shiduo, *Yibing Diary*, Vol 3.

**Rise in Population Age Results in Problems**  
OW1205214389 Beijing XINHUA in English 1011  
GMT 9 May 89

[Text] Beijing, May 9 (XINHUA)—China is witnessing an unprecedented increase in the number of elderly people, an article in today's CHINA DAILY said.

The implementation of birth control, improved medical care and better nutrition have all hastened the aging rate, the article reported.

In 1953, it said, 4.4 percent of the country's population were over the age of 60. By 2000 the figure will rise to 7 percent, and by 2025 it will reach 13.2 percent when the baby boom generation—those born in the 1960's—enter their later adulthood.

The aging process differs in the east and west of the country because of imbalanced economic development, and the aging rate is faster in urban areas than that in rural areas, the article quoted Yao Shuben, a research fellow of the China Institute for Old Age Issues, as saying.

Yao analyzed that implementation of the one-child policy has lowered the birth rate in urban areas, but accelerated the aging process in these areas. In the countryside, however, the high birth rate has [words indistinct] to low aging process.

The rise in old population is harmful to the development of the country's economy. A country like China, with its gross national product of 300 U.S. Dollars per capita, cannot afford to feed the soaring elderly population, according to Yao.

The article said that Tao Liquan, an associate professor of the China Institute for Old Age Issues, urged that the government work out effective solutions to the aging-related problems. Urbanization is a way to alleviate the aging process, Tao is quoted as saying. In order to maintain enough labor force in urban areas, local governments should set up some satellite towns around large cities, attracting young rural laborers. This will help to adjust the population structure in urban areas.

"But an important way out is to reform the pension system," said Hou Wenrou, professor of the People's University of China.



With the increase of the elderly, the welfare pension system will pose a financial burden on the government and enterprises. By 1990 retirees will constitute 14 percent of the country's work force and pensions will reach 26 billion yuan.

The government should establish a new pension system—life insurance system—which will cover all citizens instead of leaving rural laborers outside the umbrella as is the case now.

Under the new system, Hou said he believed work units and individuals should share their responsibility for the old people's pensions. Individuals could pay 1.5 percent of their monthly income as insurance premium for 15 years. Enterprises should shoulder a proportion of old people's pensions.

## TRANSPORTATION

**Guangzhou To Build Ring Expressway**  
*OW3105003389 Beijing XINHUA in English*  
0535 GMT 25 May 89

[Text] Guangzhou, May 25 (XINHUA)—Guangzhou authorities have announced plans to spend 2 billion Hong Kong dollars to build 3 sections of an expressway network around the city.

An official from the city government said an agreement has been reached with the Hopewell Company of Hong Kong for the investment of the 2 billion Hong Kong dollars required by the project.

The money will be used to build the expressway's east, west, and south sections—Six lanes, covering a total of 38 kilometers.

Construction will be completed within 3 to 5 years, the official said.

The first phase of construction of the north section began in 1987, and is expected to be opened to traffic this year, he added.

**Huizhou Bridge in Guangdong Opens to Traffic**  
*OW3105082489 Beijing XINHUA in English*  
1438 GMT 30 May 89

[Text] Guangzhou, May 30 (XINHUA)—Huizhou bridge, which has the longest span of prestressed concrete beam bridge in China, opened to traffic today.

The bridge, which is in Guangdong Province, is 1103.5 meters long. It crosses the Dongjiang River which flows through Huizhou.

The bridge was designed by the Guangdong Provincial Construction Design Institute and built by the Ministry of Communications.

The cost of the bridge was 35 million yuan (9.45 million U.S. dollars). The costs were met by the Ministry of Communications, Guangdong Provincial Government and Huizhou City Government.

They expect to recoup the investment within 20 years by charging toll fees for automobiles using the bridge.

Experts believe that the bridge will promote the local export-oriented economy and tourism.

**Experts Suggest Turn Tianjin Into Free Port**  
*OW3105145889 Beijing XINHUA in English*  
1410 GMT 31 May 89

[Text] Beijing, May 31 (XINHUA)—Experts have suggested that Tianjin should be turned into a free port along the lines of Hong Kong.

Their suggestion was put forward at the recently-held seminar on Tianjin's development strategy. Some 200 experts on water resources, port building and communications attended the meeting.

A dozen experts from Tianjin, Shanghai and Beijing have compiled a book entitled "Tianjin's Strategic Position." The book analyzes the development of Tianjin Port and explains the importance of Tianjin Port for an export-oriented economy.

With a history of over 100 years, Tianjin Port is the largest man-made port in the country. With an annual handling capacity of 20 million tons, it is the second biggest port in China.

The port is expected to be able to handle 100 million tons a year, including coal and oil, by the end of the century.

**Official Suggests Commercial Construction of Railroads**  
*OW1205211189 Beijing XINHUA in English*  
1053 GMT 8 May 89

[Text] Beijing, May 8 (XINHUA)—Using idle social funds to "build railways commercially with official supervision and support" has been proposed as an effective way to speed up China's railway construction and ease the strain on this major artery.

In an interview with XINHUA, Li Xuan, head of the construction headquarters for the eastern China railways network, said: "With this concept, railway stock companies will be set up, with the support of the government and as a supplement to state-owned rails, to be exclusively responsible for building and managing some railways, and for collecting funds as well as for their economic gains and losses."

He added: "The railways should be constructed and managed in accordance with commercial laws." This method is especially practical in the present condition because the state cannot earmark quantities of funds for railway construction.

"It is practical in China, especially in coastal areas, because governments have come to realize the importance of transport, railways in particular, and are eager to overhaul the existing backward traffic infrastructure."

With a total of 53,000 kilometres, the overloaded Chinese railways are increasingly becoming a bottleneck undercutting China's economic growth.

Li Xuan says foreign capital should be included when collecting funds for railway construction. "The railways built by business should adopt open management."

Businesses building and managing railways should be supported by the state. During construction, local governments should help to coordinate and solve problems.

Li Xuan suggests that cooperation from the state-owned railways and equal treatment in the organization of transport will be important to the development of the stock-owned railways.

In building and managing railways, Li Xuan says, stock companies first have to select and build railway projects with good economic and social efficiency. Funds can be collected by way of issuing bonds domestically and internationally, "and competitive floating prices are also vital to the existence and profits of stock railways."

Li Xuan added: "Building railways commercially will prove a very good way for China because urgently needed railways can be built without any state investment, and idle social funds can be collected for the construction of major state projects."

He is optimistic about the success of stock railways. "With low construction costs and the high transport prices of competitors, the stock railways will make profits if managed properly."

**Key Transport Projects Proposed**  
*HK1205100989 Beijing CEI Database in English*  
12 May 89

[Text] Beijing (CEI)—The State Planning Commission recently chose 15 projects, involving 12 harbors, two roads and one inland river, as this year's key items for transport construction.

The projects mainly include the construction of new container, oil, coal and sundry goods docks and the renovations of the old docks in those harbors. A highway linking Beijing, Tianjin and Tanggu and a first grade road from Shenyang to Dalian are also included in the projects.

The 12 harbors are Dalian, Yingkou, Qinhuangdao, Tianjin, Yantai, Qingdao, Lianyungang, Nanjing, Shanghai, Ningbo, Guangzhou and Zhanjiang.

**Construction of Lanzhou-Wuwei Railway Begins**  
*OW1105225689 Beijing XINHUA in English 1346*  
GMT 11 May 89

[Text] Lanzhou, May 11 (XINHUA)—Construction has begun on an electrified railway line running from Lanzhou City, capital of northwest China's Gansu Province, to the provincial prefecture of Wuwei.

The project is part of the Lanzhou-Urumqi railway system, one of the key construction projects in China's Seventh Five-Year Plan period (1986-90). The railway will be 282 kilometers long and built at a cost of 254 million yuan (68 million U.S. dollars).

The entire project is expected to be completed and put into use by the end of 1990.

**Shaanxi Coal Mines Crippled by Railway Transport**  
*HK1205144589 Xian Shaanxi Provincial Service*  
in Mandarin 2330 GMT 11 May 89

[Text] During the crucial time of serious coal shortages, railroads have become a major factor determining coal production.

Over the past few months construction of some factories and coal production in Tongchuan have been crippled by insufficient railway transportation.

Statistics compiled by the departments concerned show that from January to April this year, railway departments planned to ship out 2.094 million tons of raw coal from the Tongchuan Mining Bureau but they only shipped 1.648 million tons, with 445,000 tons unshipped. Furthermore, the plan was to assign 300 freight wagons to the Tongchuan Mining Bureau every day, but since 20 March they could only assign about 200 wagons a day.

Meanwhile, of seven coal mines whose raw coal was assigned to the Xian Railway Subbureau for shipment, with the exception of one, the other six mines failed to fulfill the task of shipping all their coal, with a balance due of more than 270,000 tons in the first quarter of the year.

The failure to fulfill transport plans by railway departments has seriously affected coal production and economic construction. The three coal mines of Dongpo, Xiaoting and (Xiashitai) and two coal fields under the Tongchuan Mining Bureau can hardly maintain their normal operation. And in particular, the Dongpo Mine has been forced to partly halt its operations since 22 April and slashed its production from 2,400 tons of raw

coal to merely several hundreds, because of buck-passing on a signal system between the No 20 construction bureau under the Ministry of Railways and the Xian Railway Subbureau.

**Fujian To Renovate Airports, Railways, Docks**  
*HK1505121389 Beijing CEI Database in English*  
15 May 89

[Text] Fuzhou (CEI)—Fujian province will build and renovate three airports, three railways and three docks this year.

This is the second time that the province has made big efforts to build infrastructure facilities.

The province's railway, road, water and air communications are now all in an overloaded state.

The airport projects include the expansion of Fuzhou and Xiamen Airports and the first phase construction of Chong'an Airport in the Northern part of the province. The railway construction consists of the building of an electric railway from Yingtan to Xiamen, the change of route of Waiyang-Fuzhou Railway and the first phase project of Zhangping-Quanzhou-Xiaocuo Railway. The dock construction comprises the building of a coal dock in Fuzhou, and the second stage construction of Mawei New Harbor District in Fuzhou and Dongdu Harbor in Xiamen.

Fujian also plans to set up a number of small docks and renovate and build some roads and bridges this year. Meanwhile, around 10,000 program-control telephone sets will be installed in seven cities and counties including Xiamen, Quanzhou, Putian and Jinjiang.

In the last decade, the province has raised more than 6 billion yuan in the building of infrastructure facilities.

**Nanning-Kunming Railway Project To Be Delayed**  
*HK1505083089 Beijing ZHONGGUO XINWEN SHE*  
in Chinese 0712 GMT 11 May 89

[Text] Nanning, 11 May (ZHONGGUO XINWEN SHE)—Fan Ruwen, deputy chief of the office supervising construction of the Nanning-Pingguo section of the Nanning-Kunming Railway, told a staff reporter in an interview that the Ministry of Railways and the Guangxi Zhuang Autonomous Region will appropriate 30 million yuan this year to cover the initial preparatory work for the Nanning-Pingguo section. The first phase, scheduled to begin this year, is likely to be postponed because of the nationwide economic retrenchment.

Fan Ruwen said that construction plans for the Nanning-Kunming Railway have been approved by the State Planning Commission and listed as a preparatory project in the state's key projects. The technical design of the

entire railway has been completed and presented for examination and approval to the department concerned, and the working design has been basically completed.

Fan continued: "The Nanning-Kunming Railway is an important trunk railway linking China's southwest area. The railway will be 817 km long, extending from Nanning to Xingyi County of Guizhou, where it will split, with one line extending to Kunming, the capital of Yunnan, and the other to the Hongguo coal mine in Guizhou. The cost of the entire line will total about 5,000 million yuan (based on the prices at the time the railway was designed). It will take 8 years to complete the entire project."

"The first phase project, that is, the section between Nanning and Pingguo, was scheduled to start this year, but it has not been decided whether the project will start as planned because the state is cutting back on investments in capital construction. However, we will prepare to start the project this year," added Fan Ruwen.

**Shipping Infrastructure Viewed**  
*HK0805142589 Beijing CEI Database in English*  
8 May 89

[Text] Fuzhou (CEI)—Infrastructure construction of the coastal harbours and ports in Fujian Province has made much headway in recent years, forming a coastal transport network consisting of 25 medium and small ports in Fuzhou and Xiamen City.

Fujian Province has many good harbours and ports along its 3,200-kilometer-long coast. There are 307 berthes, big and small, in the province, of which seven deepwater berths can harbour 10,000-ton oceangoers while 25 others are for 1,000-ton tankers.

Xiamen Harbour is a vast, deepwater port with 37 berthes where waves are small.

The city's Dongdu Harbour is equipped with automatic loading and unloading system and special railroads with containerized cargoes that can be trafficked directly to all places in the country.

Mawei Harbour has three 5,000-ton berthes and two 10,000-ton berthes, while Meizhou Bay is a fine port available for 100,000-ton oceangoers when tide comes, which is to become a traffic pivot of the province.

Fujian Province has international shipping lines extending to Japan, Sri Lanka, Singapore, Hong Kong, and Macao. The internal lines range from Dalian in the north to Zhanjiang, Haikou in the south, connecting all inland ports on the Yangtze River.

The handling capacity of the ports in the province increased 10 percent annually over the past eight years, while the province's foreign trade volume rises an average of 12 percent every year.

**Jiangsu To Develop Transport With Foreign Funds**  
*HK0205153389 Beijing CEI Database in English*  
2 May 89

[Text] Beijing (CEI)—Jiangsu province will work out a package of credit plans for developing its transportation facilities by making use of World Bank loans.

The plans cover the renovation of the province's highway network and canal navigation system which will improve the investment environment in this province. The plans also include some software projects of technology and scientific research. Contractors will be chosen through both international and domestic bids.

**Port Modernizes Facilities**  
*HK0305121589 Beijing CEI Database in English*  
3 May 89

[Text] Ningbo (CEI)—Ningbo will build six deep-water berths in the Beilun Harbor District and two international container docks of the third generation in addition to the original one before the end of 1995, the harbor administration of Ningbo released. The first of the two container docks is expected to be completed next year. The completion of the project will mean the birth of the first modernized container berth group in China. Beilun Harbor has a deepwater coast line of 13 kilometers. 130,000 DWT ships can sail freely and 150,000 DWT ships can sail in line with the changes of tide. The construction of the six 35,000-50,000 DWT berths is the second phase under the development program of the

Beilun Harbor District. A 100,000 DWT ore transshipping wharf built during the first phase went into operation in 1982. The second phase of the deep-water transshipping berths underway involves a total investment of 390 million yuan and is set to finish by 1994. So far, it has been granted a loan of 30 million U.S. Dollars from the World Bank.

**Lusi Harbor Expanded**  
*HK0505130189 Beijing CEI Database in English*  
5 May 89

[Text] Nanjing (CEI)—Lusi Harbor in Jiangsu Province is being developed in order to form a rationally-distributed and multi-functional harbor group together with Shanghai Harbor and the Beilun Harbor in Zhejiang province.

Lusi Harbor, located in Qidong County and by Yellow Sea, is one of China's four major fishing grounds.

The provincial government recently approved to build an anchor ground for small vessels from Taiwan in the harbor. It also allocated funds to build a reception center for Taiwanese fishermen, the first of its kind in the province. Also under construction is a warehouse for small volume trade with Taiwan.

Lusi Harbor is ranked by experts as one of China's rare natural harbors in which deep water berths for ships over 50,000 dwt can be built.

**March Transportation Volume Published**  
*HK0805142789 Beijing CEI Database in English*  
8 May 89

[Text] Beijing (CEI)—Following is a chart of volume of Transportation and Post and Telecommunications Service in March 1989, released by the State Statistical Bureau.

**VOLUME OF TRANSPORTATION AND POST, TELECOMMUNICATIONS SERVICE FOR MARCH 1989**

	Unit	1-3/89	3/89	Increase over 1-3/1989
Total of Cargo	100 million tons	6.20	2.30	-3.1
Railway	100 million tons	3.50	1.30	
Road	100 million tons	1.40	0.50	2.1
Water	100 million tons	1.30	0.50	2.1
Air	10 thousand tons	6.50	2.30	2.7
Total of Circulating Cargo	100 million tons/km	5042.5	1785.2	6.6
Railway	100 million tons/km	2426.6	865.1	-0.9
Road	100 million tons/km	90.7	31.8	-2.9
Water	100 million tons/km	2523.7	887.8	13.5
Air	100 million tons/km	1.5	0.5	-3.3
Total of Passengers	100 million persons	14.30	4.80	-3.4
Railway	100 million persons	3.30	1.10	17.9
Road	100 million persons	10.40	3.50	-7.7
Water	100 million persons	0.60	0.20	-4.0
Air	10 thousand persons	269.60	104.80	-4.4
Total of Circulating Passengers	100 million persons/km	1372.6	466.6	3.5
Railway	100 million persons/km	832.1	292.6	8.4
Road	100 million persons/km	450.1	138.7	-4.5
Water	100 million persons/km	43.6	14.7	1.8

Air	100 million persons/km	46.8	20.6	2.6
Handling Output of Main Coastal Ports	100 million tons	1.10	0.40	7.7
Total Circulating Volume of Civil Aviation	100 million tons/km	4.68	1.81	0.6
Total Volume of Post and Telecommunication	100 million yuan	13.0	4.2	22.6

### April Transport, Telecommunications Volume Statistics

HK1705153189 Beijing CEI Database in English  
17 May 89

[Text] Beijing (CEI)—Following is a list of volumes of transportation and post and telecommunications service in April, 1989, released by the State Statistical Bureau.

	Unit	1-4/89	4/89	Increase Over 1-4/1988
Total of cargo	100 million tons	8.52	2.24	-2.1
Railway	100 million tons	4.73	1.23	1.1
Road	100 million tons	2.01	0.54	-9.9
Water	100 million tons	1.78	0.47	-1.0
Air	10 thousand tons	9.90	2.85	5.5
Total of circulating cargo	100 million tons/km	6,767.74	1,725.69	5.2
Railway	100 million tons/km	3,285.61	852.07	0.4
Road	100 million tons/km	132.66	35.26	1.1
Water	100 million tons/km	3,347.21	837.73	10.7
Air	100 million tons/km	2.26	0.63	4.9
Total of passengers	100 million persons	19.14	4.91	-7.4
Railway	100 million persons	4.12	1.00	5.6
Road	100 million persons	14.19	3.70	-11.6
Water	100 million persons	0.79	0.20	-1.1
Air	10 thousand persons	407.54	124.78	0.1
Total of circulating passengers	100 million persons/km	1,906.44	461.50	4.9
Railway	100 million persons/km	1,132.01	266.43	8.2
Road	100 million persons/km	653.55	165.08	0.9
Water	100 million persons/km	61.74	15.35	4.1
Air	100 million persons/km	59.14	14.64	-2.3
Handling output of main coastal ports	100 million tons	1.48	0.38	8.1
Total circulating volume of civil aviation	100 million tons/km	6.89	2.01	4.8
Total volume of post and telecommunications	100 million yuan	19.6	5.4	35.2

### AGRICULTURE

#### Report on Rural Reform and Growth

40060459 Beijing NONGYE JINGJI WENTI in Chinese No 3, 23 Mar 89 pp 52-57, 42

[Article by Wang Qiang 3769 1750, Liu Fuhe 0491 4395 0678, Chia Cuihwa 6328 4733 5478, Lu Shengwei 7773 3932 0251, Sun Zhonghwa 1327 1022 5478, and He

Yupeng 0149 1342 7720, for the agriculture sector; Liu Fuhe, for the animal husbandry sector, sponsored by the Office of Rural Surveys, under both the Laboratory of Rural Policy Studies, Central Committee of the CPC, and the Research Center for Rural Development, State Council of the PRC: "Several New Situations in Rural Reform and Development—Report on Data Analysis of the 1987 National Rural Fixed Observation Survey"]

[Text] I. High Rate of Growth Maintained in the Agricultural Economy and in Peasant Income



In follow-up data on regular observations of the rural economy in 1987, growth and development of various industries in 280 villages and 26,810 sample households surveyed showed an increase in fixed assets, a greater degree of product commercialization and modernization, with gross economic income and average per capita income both maintaining a tendency toward rapid growth. However, economic growth and income increase still show an imbalance, with prices floating upwards being an important factor.

**A. Growth in Industrial Productivity and Increase in Gross Income from Various Operations** On the average, gross income from various operations in 1987 for each village surveyed amounted to 2.138 million yuan, a growth of 29.8 percent over the previous year, and observations of each individual industry showed a tendency for further growth. The category showing the most rapid growth rate was the class III industries, 38.2 percent in 1 year. Next were the class II industries with a growth of 33.1 percent. Class I industries also grew by 23.8 percent. The ratio of class I, II, and III industries in the agricultural economy were 42.3:44.2:13.5 in 1986, and 40.4:45.3:14.3 in 1987. Income from class II industries continues to exceed that from class I industries, this group becoming an increasingly important mainstay in survey studies of the rural economy.

Accompanying production expansion and economic growth, labor productivity and product commercialization were both increased. On the average, gross income generated from each unit of labor activity in the villages surveyed was 3,402 yuan in 1987, a growth of 23.7 percent and an increase of 651 yuan over the previous year. Among sample households, the annual household sale of products from agriculture, forestry, animal husbandry, and fishing industries averaged 1,302 yuan in cash receipts, a growth of 25.7 percent over the previous year. Income from agricultural products sold comprised 53.02 percent of the gross income for these industries, an increase of 2.92 percentage points over the previous year. Breakdown of product items showed commercialization rate for grain at 52.4 percent (a drop of 1.3 percentage points from the previous year), for meat (beef, lamb, pork) at 75 percent (a rise of 2 percentage points over the previous year), and for aquatic products, at 88 percent (a drop of 2 percentage points over previous year). In 1986, among sample households with agricultural labor participation, 12.2 percent of them had no products for sale; in 1987, this figure dropped to 8.3 percent. This is to say that rural households removed from self-sufficient agricultural production is growing.

**B. Growth of Fixed Assets Used in Production and Expansion of Regenerative Productivity** In 1987, the value of fixed assets used in production in each village surveyed averaged 804,500 yuan, a growth of 23.2 percent with an increase of 152,100 yuan over the previous year. A further breakdown shows growth of fixed assets purchased by partners or individually

contracting villages (units) after business formation was the most rapid, with a doubling of growth; the value of fixed assets for joint ownership groups showed a growth of 46.7 percent, and for village collectives, 30.8 percent. Growth of fixed assets in rural household families was slower, only 9.1 percent. The proportion of fixed assets ownership, from the standpoint of different economic styles and different forms of enterprise operation, showed the village collectives still leading in first place (55.7 percent), with an increase of 3.3 percentage points over the previous year.

Ownership of fixed assets by rural household families was 39.6 percent, a drop of 1.76 percentage points over the previous year. Its ownership by joint economic groups was 5.8 percent, an increase 0.93 percentage points over the previous year; and ownership by partners or individual contracting villages (units) was 1.48 percent, a rise of 0.57 points.

According to a survey of sample households in the control group, the original value of fixed assets used for production by each household averaged 1,088.6 yuan. Of this amount, 934.7 yuan or 85.9 percent was owned by the household itself; 116.8 yuan or 10.7 percent jointly owned with others. A breakdown of these fixed assets showed transportation machinery comprised 26.8 percent (a proportional rise of 1.29 percent); fixed assets for domestic animal use, 26.7 percent (a proportional drop of 2.28 percentage points); production shops, 23.2 percent (a proportional drop of 0.59 percentage points); industrial machinery, 7.1 percent (a proportional rise of 0.75 percentage points); machinery for agriculture, animal husbandry and fishing use, 7 percent (a proportional rise of 0.92 percentage points); steel and wooden farm tools, 6 percent (a proportional drop of 0.04 percentage points); and other fixed assets used for production, 3.3 percent (a proportional drop of 0.05 percentage points). The difference between the figures here and those for 1986 is that among the fixed assets used for production, the proportion occupied by fixed assets for domestic animal use had dropped to second place, and been replaced by that for transportation machinery.

**C. More Materials Used in Agricultural Production and Agricultural Modernization** Regular observations in the past year showed that even with an excessive rise in prices for materials used in agricultural production, the use of mechanical power, chemical fertilizer, and electricity consumption continued to increase in the villages surveyed. The total mechanical power used by the villages surveyed averaged 787.9 horsepower, a growth of 18 percent over the previous year. Village units used 42.2 percent of this mechanical power, a growth of 16 percent over the previous year; individual rural households, 50.8 percent, a growth of 21 percent over the previous year; and collectives, 7 percent, a growth of 9.3 percent over the previous year. With the increased use of mechanical power, the average acreage under mechanical cultivation had also grown, from 898 mu in 1986 to 962 mu, and from 36.8 percent of the total cultivated acreage to 40.5 mu.

In 1987, chemical fertilizer used by each village surveyed averaged 85.8 tons, an increase of 27 percent over the previous year. Of this, 9.1 percent was high-efficiency chemical fertilizers, mostly phosphorus or potassium compounds. The agricultural chemicals used by each village surveyed averaged 1,243.4 kg, a reduction of 2 percent over the previous year; the acreage treated by chemical herbicides was extended to 358.9 mu, an increase of 24.1 percent over the previous year.

The total electrical energy used by each village surveyed in 1987 averaged 170,000 kwh, an increase of 18.2 percent over the previous year. Of this, daily living needs used 38,000 kwh, an increase of 40.8 percent over the previous year; and production activities used 132,000 kwh, an increase of 13.3 percent over the previous year. Comparison of energy use in these two areas showed that use for daily living needs rose by 3.62 percentage points, while production use dropped 3.62 percentage points. Further breakdown of electrical energy use for production showed that 88,000 kwh was given to industrial use, a growth of 5.4 percent, which comprised 66.7 percent of the total electrical energy used.

**D. Increased Peasant Income and Greater Role of Prices as a Factor** Consistent with the trend of rapid growth in the agricultural economy, the gross income of family enterprises among sample households averaged 4,563.6 yuan per household, a growth of 22.9 percent and an increase of 850 yuan over the previous year. Breakdown of income structure showed that most of the new increase came from family operations, comprising 76.6 percent of new income, or 850 yuan. The proportion from collective operations, comprising only 4.6 percent of total new income, dropped 1.13 percentage points. Breakdown of income by rate of growth showed other non-credit income (including income sent in from the outside, gifts from friends and relatives, and bartered income) to be growing most rapidly, an increase of 32.7 percent; income received by joint economic collectives grew 29.4 percent; that from work and businesses away from the village, 23.6 percent; that from family operations, 23.6 percent; that from village unit contracts, 13.5 percent; and that from unified collective operations grew the slowest, only 9.8 percent.

In sample households, net per capita income increased by 100 yuan over the previous year, still in the accelerated growth category. The net per capita income of 26,810 sample households surveyed in 1987 was 618 yuan, a growth of 21.2 percent, with 108 more yuan<sup>1</sup> over the previous year. Almost two-thirds of the new income was derived from grain and economic crops. It can be seen that grain and economic crops are still the important sources of increased peasant income.

Increases in peasant income showed a drop in the ratio of impoverished households to well-fed households, and a rise in the ratio of comfortable households to wealthy households. Compared with 1956, the proportion of households in 1987 with average per capita income of

less than 100 yuan dropped from 15.1 percent to 8 percent; that of households with per capita income between 200-500 yuan dropped from 46.1 percent to 41.5 percent; that of households with per capita income between 500-1000 yuan rose from 29.3 percent to 36.7 percent; and that of households with per capita income over 1000 yuan, rose from 9.5 percent to 13.8 percent.

Regular observations showed that the factor of prices exerted an important effect on peasant household income. On the basis of calculations using price indicators from the National Bureau of Statistics, after deductions for the price factor, the average per capita income of 618 yuan for each sample household should be 595 yuan, a growth of only 16.7 percent over the previous year. Survey calculations of overall price indicators have yet to be done for locations of regular observation. However, from the sale prices for three agricultural items surveyed—food grains, pork and lumber, each household received an additional 47.85 yuan (a growth of 13 percent over the previous year) because of the rise in prices. Because of the increase in volume sold, each household also received an additional 3.07 yuan (a growth of 1 percent over the previous year). For pork, because of increase in price, each household received an additional 43.8 yuan (growth of 22 percent over the previous year), and because of an increase in volume sold, an additional 20.6 yuan (growth of 12 percent) over the previous year. For lumber, sales income showed a 12 percent growth over the previous year, due chiefly to increase in volume, for prices were quite stable. Because of rising prices in the three commodities just mentioned, net income for peasant households comprised 12.3 percent of the additional income.

**E. Continued Expansion of Unbalanced Development in the Three Large Economic Regions** A look at the gross income from operations in those villages surveyed in 1987 showed an average gross income of 36.79 million yuan per village in eastern China, 13.47 million yuan per village for central China, and 11.65 million yuan per village for western China. Compared with 1986 figures, these figures showed a growth of 33.4 percent, 21.2 percent, and 30.6 percent, respectively. Within a 1 year period, the economic gap between villages surveyed in eastern China and those in central China had grown from the original difference of 2.48 times to 2.73 times; and that between villages surveyed in eastern China and those in western China, from the original 3.09 times to 3.16 times.

A look at the net peasant income in these three large economic regions showed an identical trend. In 1987, peasant income for the eastern region averaged 787 yuan; for the central region, 529.3 yuan; and for the western region, 441.3 yuan. Compared with 1986, the figures showed growth of 24.3 percent, 16.9 percent, and 22.3 percent, respectively. Within a 1 year period, the difference in net per capita income of sample households

in the eastern and central regions had grown from the original 28 percent to 33 percent; and the difference in the eastern and western regions, from the original 43 percent to 44 percent.

## II. Adjustment of Industrial Structure and Improvement of Employment Structure

Following agricultural reform in depth, production of various industries in villages surveyed in 1987 showed a continuing drop in class I industries, a proportional rise in class II and class III industries, and further adjustment in their industrial makeup. At the same time, the agricultural work force continued to grow smaller, and the labor force engaging in non-agricultural work continued to increase, which led to improved working conditions for the agricultural work force.

On the average, for each village surveyed in 1987 that had a gross income of 2.138 million yuan, 863,300 yuan was derived from class I industries, a growth of 13.8 percent over the previous year, but a proportional drop of 2 percentage points; 969,000 yuan was derived from class II industries, a growth of 33.1 percent over the previous year, and a proportional rise of 1.1 percentage points; and 306,000 yuan was derived from class III industries, a growth of 38.2 percent over the previous year, and a proportional rise of 0.9 percentage points. The proportions between the class I, class II, and class III industries were "four-six open" that reflected a new pattern of comprehensive development among industries in the various fields of agriculture, industry, business, construction, and transportation.

Among the class I industries, income from farming activities comprised 61.2 percent of total income, a drop of 4.9 percentage points over the previous year; income from forestry, 3.4 percent of total, with a proportional rise of 0.1 percentage points; income from animal husbandry, 23.3 percent of total, with a proportional rise of 1.8 percentage points; and income from fishing, 12.1 percent of total, with a proportional rise of 3 percentage points. The rapid rises in income from fishing and animal husbandry activities bode well for further improvement within the agricultural structure.

Among farming activities, the proportion of income from grain production showed a tendency to drop, while that from economic crops continued to grow rapidly. In 1987, grain crop income per village averaged 311,500 yuan, 58.9 percent of gross income, but a 6.1 percent drop over the previous year. Adjustments within the farming structure have helped its comprehensive development and increased peasant income at the same time.

In class II and class III industries, the rate of income growth from various industries all exceeded 25 percent. Industries that grew the most rapidly were the business, beverage, and service industries, with a growth of 59.9 percent over the previous year. Next was industry, with a growth of 33.7 percent over the previous year. Income

from rural industries comprised 42.3 percent of gross income from all industries, each village averaging 904,000 yuan, a leading example of village industry development.

With the structure of village industries oriented in a logical direction, the makeup of rural manpower placement improved gradually. In 1987, the work force in each village averaged 750.9 persons, a growth of 1.87 percent over the previous year. Breakdown of this figure showed 515.5 persons engaged in class I industries, a decrease of 2.87 percent over the previous year; 142.6 persons engaged in class II industries, a growth of 6.7 percent over previous year; and 92.9 persons engaged in class III industries, a growth of 11.7 percent over the previous year. Comparison with 1986 figures showed the proportion of the work force engaged in class I industries dropped from 70.6 percent to 68.6 percent, a drop of 2 percentage points; proportion of work force engaged in class II industries rose from 18.1 percent to 19 percent, a rise of 0.9 percentage points; proportion of work force engaged in class III industries rose from 11.3 percent to 12.4 percent, a rise of one percentage point. Non-agricultural manpower had grown from the 1986 percentage of 29.4 percent to 31.4 percent of the total manpower. The proportions of manpower in the class I, class II, and class III industries have assumed the "three-seven open" pattern, which demonstrates that the agricultural labor force is developing anew in the direction of non-agricultural industries.

From survey data, we can see that while labor engaged in family operations is still in a dominant position, it is showing a downward trend with the greatest drop. A breakdown of the total labor force showed 75.69 percent for labor engaged in family operations, a drop of 1.04 percentage points over the previous year; 2.2 percent for engaged in collective operations, a rise of 1.09 percentage points over the previous year.

The proportion of the labor force engaged in family operations in the three large economic regions showed a gradient drop from west to east. Proportions of the labor force engaged in family operations in the villages surveyed showed 82.9 percent for the western region, 79 percent for the central region, and 69.2 percent for the eastern region. The proportion of the labor force in family operations is related to the degree or extent of economic development in the village. In 43 surveyed villages with a higher degree of economic development, the proportion of the labor force engaged in family operations was only 55.4 percent. In 168 surveyed villages with a lesser degree of economic development, the proportion of such labor force was 78.5 percent; and in 68 surveyed villages with very little economic development, the proportion of such a labor force was 86 percent.

The survey data further showed that with broadened peasant participation in economic activities and opening of the labor market, the mobility of the labor force had

become stronger in recent years, although the area of mobility was still rather small. In 1987, in each village surveyed, the labor force that moved out was 89.8 persons, a growth of 23.3 percent over the previous year. In this figure, 16.3 percent migrated to towns the size of county seats or larger, 44.8 percent to smaller towns on the village level, engaging in manual labor or business. Comparison with 1986 figures showed the proportion of the labor force migrating to county seat towns and cities dropped 4.94 percentage points, while the proportion migrating to smaller village towns dropped 2.58 percentage points. This trend showed that under unfavorable conditions facing migration to large cities and small towns, the transfer of agricultural manpower toward non-agricultural work will be taking the pattern of "leaving the land, but not the village" even more.

Even as great progress is made in manpower transfer, manpower lying idle still abounds, and is growing. In 1987, the idle manpower in villages surveyed averaged 125.7 persons, comprising 16.7 percent of the total labor force, an increase of 7.5 percent over the previous year. Such conditions show that employment in non-agricultural industries is still far from meeting the employment needs of this idle labor force, and further solutions are urgently needed.

### III. Repeated Problems in Grain Production

Regular observations showed that in 1987, even with low participation by peasants in growing grain crops, a low level of increased production was still maintained, though progress in this area was increasingly difficult. According to a survey of 280 villages, gross grain production in 1987 averaged 750 tons per village, an increase of 5.2 percent over the previous year. Each mu planted averaged 272.3 kg, an increase of 11.2 kg over the previous year, a growth of 4.2 percent. Acreage planted for grain averaged 2,754.3 mu per village, an increase of 0.9 percent over the previous year. This acreage planted for grain crops also comprised 79 percent of the total crop acreage for the village, a rise of 0.7 percentage points over the last year. In grain sales, each village averaged 208.7 tons, an increase of 6.3 percent over the previous year.

According to a survey of 26,810 sample households, the acreage planted for grain crops by each household averaged 10 mu, an increase of 0.07 mu over the previous year. Grain produced by each household averaged 2,606 kg an increase of 127 kg over the previous year, a growth of 4.4 percent. Grain sold by each household averaged 844 kg, indicating a commercialization rate of 32.4 percent, and a drop of 1.3 percent over the previous year.

Even as the volume of grain produced in 1987 showed a slight increase over the previous year, the outlook for food production is not an optimistic one. In the first place, with slow growth of economic benefits in grain production itself, difficulties posed by low food prices, and the high cost of materials used in agricultural

production, there is a rise in cost of capital outlay for agriculture, with a drop in fringe benefits. Next is the increasing gap in comparable benefits between grain production and class II and class III industries. According to statistics on sample households, comparison with 1986 figures showed income from each mu of grain grown increased 8 percent, while expenses for each mu increased 8.2 percent. Again, from the perspective of comparable benefits, the gap between benefits derived from grain production and that from class II and class III industries showed a widening trend. Take income from days worked as an example. In 1987, the number of work days provided by each household for grain production averaged 171 work days (was 173 the year before), each work day generating 6.49 yuan of gross income for grain production (including increased income of 0.32 yuan for each work day, because of the price factor). But gross income that each work day generated for industry, transportation, and business and service industries the same year was noted as 16.5 yuan, 20.5 yuan, and 8.92 yuan, respectively. Individually, these gross income figures were 2.54 times, 3.16 times, and 1.37 times, respectively, over gross income derived each work day from food production, while figures for 1986 were 1.67 times, 3.14 times, and 1.3 times, respectively. Comparison of data for the 2 years showed benefits from grain production, as compared with that from such classes II and class III industries as industry, transportation, business and food service industries etc., were thrown further into an unfavorable situation. Within agriculture itself, the benefits from grain production as compared with that from other industries also showed a tendency to drop. The ratio of income from each work day engaged in grain production and in forestry which was 1:1.07 in 1986 grew to 1:1.18 in 1987. The ratio of income from each work day engaged in grain production and in fishing which was 1:1.53 in 1986, grew to 1:1.82 in 1987.

The small amount of benefits inherent in managing grain production alone and the comparatively low benefits to which are added the loss of price control for such agriculture use production materials as plastic film, chemical fertilizers, agricultural chemicals etc., have accounted for an active black market in recent years, which has made life very hard on peasants engaged in grain production. Without other options, and driven by pricing patterns, indirect decreases in grain production have become the policy focus for these peasants. According to the 1987 survey, the income for each sample household engaged in grain production averaged only an increase of 26 yuan over figures for the previous year. If the price difference for the cost of production materials were deducted, the actual income would be less.

Only through a survey of grain production conditions was it possible to obtain such basic estimates. Even as grain production in the near future under normal conditions could not sustain a low level increase, to require it to sustain increases in the long term would be difficult, and the crisis would become increasingly obvious with time. At present, it has reached the point which calls for



determination to basically resolve the problem through increased agricultural investment, raising food prices, controlling the price of materials used in agricultural production, and mobilizing the peasants to grow grain crops.

To further clarify the picture of grain production and sales, regular observations in 1987 contributed data on contract orders for grain received by peasant households. Survey showed that the task of grain contract sales, as ordered by the state, was basically completed by sample households. However, the task assumed by different households in different localities varied greatly. Data from a survey of 26,810 households showed that contract sales of grain in 1987 averaged 557 kg per household, comprising 21.3 percent of gross production per household for the year. From the perspective of topographic differences between regions, orders in the plains for sale of grain averaged 859 kg per household, comprising 27 percent of the gross production of grain by each household cultivating this type of landform; orders in the hill regions averaged 447 kg per household, comprising 18.4 percent of the gross production by households cultivating this type of land; and orders in the mountainous areas averaged 168 kg per household, comprising 9.1 percent of the gross production by households cultivating this type of soil. Orders for households located in the plains were 1.92 times of those households situated among rolling hills, and 5.1 times of those located in mountainous areas.

A look at the three large economic regions showed that the task of sales order fulfillment in the eastern part averaged 464 kg per household, comprising 21.7 percent of the average gross grain production per household for the region; that in the central part averaged 760 kg per household, comprising 23.4 percent of its average gross grain production; and that in the western part averaged 358 kg per household, comprising 15.2 percent of its average gross grain production.

From the perspective of peasant households at different levels of economic development, sales order fulfillment by households with income below 200 yuan averaged 194 kg per household, comprising 14.5 percent of average gross grain production by households in this group; households with income between 200-500 yuan averaged 480 kg per household, comprising 19.2 percent of average gross for this group; households with income between 500 and 1,000 yuan averaged 718 kg per household, comprising 21.1 percent of average gross for this group; and households with income over 1,000 yuan averaged 586 kg per household, comprising 24.9 percent of average gross for this group.

Actual contract fulfillment of sales orders in 1987 averaged 510.5 kg per sample household, which met 92 percent of contract obligations, with over 95 percent participation by rural cadre households, party member households, households of military families, and households qualifying for the "five guarantees"; and 74 percent by households with mobile business operations. To meet this task-fulfillment

quota of grain, an average of 4.4 kg of grain per household was purchased from elsewhere to meet the quota. Cash paid in lieu of grain to meet quota averaged 4.2 yuan per household, 5.3 yuan per household for households in special occupation categories. From a regional perspective, payment by cash in lieu of grain averaged 5.8 yuan per sample household in the eastern part of the country, 2.9 yuan in the central part, and 3.2 yuan in the western sections.

The survey showed that while the proportion of contracted sale orders for grain was only a very small part of the total grain output among different rural households in different localities, it did not explain why so many peasants in so many places reacted toward contracted sales orders in such an unfavorable manner. The crux was in the great reverse differential between the contract price and the market price caused by a "double-track system" in grain sales, to which were added "three hanging hooks" where the relationship between materials and capital was not realistic, caused by loss of control in prices of materials used in agricultural production. Therefore, the key to encouraging a positive attitude in peasants to grow grain crops, and to finding a solution to the paradoxical problem of supply and demand in grain production, is still "grain prices."

#### IV. Continuing Stable Development in the Village Cooperative Economy

Regular observations showed that after the village cooperative economy in villages surveyed "had bottomed out" 2 years ago, it was reactivated to such a degree that by 1987 it was progressing forward toward stable development. Comparison of the situations in 1987 and in 1986 showed a rather large swing in the important economic indicators, the spread of this increase exceeding the development pace of family operations in peasant households. Their chief manifestations were noted in the following three areas:

First, increase in the value of fixed assets used in production that were owned by village collectives had been increasing at a proportionally rapid pace. According to statistics on the villages surveyed, the value of fixed assets used in production in 1987 averaged 804,000 yuan per village, an increase of 23.2 percent over the previous year, of which 448,000 yuan or 55.7 percent belonged to the village collectives, a rise of 3.2 percent over the previous year. But individual ownership of fixed assets used in production among peasant households only increased by 9.1 percent over the previous year's figure, dropping from 41.7 percent ownership of all fixed assets in the entire village the previous year to 36.9 percent, a drop of 4.8 percentage points.

From the perspective of villages in different economic regions that were surveyed, the value of fixed assets owned by collectives that were used in production in the eastern region averaged 749,000 yuan per village, an increase of 26.3 percent over the previous year; and that



for all peasant households in each village averaged 290,000 yuan, an increase of 15 percent over the previous year. The value of fixed assets owned by collectives that were used in production in the central region averaged 264,000 yuan per village, an increase of 35.3 percent over the previous year; and that for peasant households in each village averaged 316,000 yuan, an increase of 9 percent over the previous year. The value of fixed assets owned by collectives that were used in production in the western region averaged 305,000 yuan per village; and that for peasant households in each village averaged 277,000 yuan, an increase of 1.5 percent over the previous year. The pace at which the value of fixed assets owned by village collectives in these three great economic regions far exceeds that for fixed assets owned by peasant households.

The spread in the accelerated pace of village collective ownership of fixed assets used in production was greatest in the western region, followed by that in the central region, then the eastern region. But the spread in the pace of peasant ownership showed a reverse situation, where the spread was greatest in the eastern region of the country, followed by the central, then western regions.

In the second place, village collective operations showed comparatively greater increases in income, reflecting greater economic strength. In 1987, income from village collective operations in villages surveyed averaged 729,000 yuan (an increase of 37.1 percent over the previous year), comprising 34.1 percent of the gross economic income for the whole village (a rise of 1.8 percentage points over the previous year). For the corresponding period, income from family operations in peasant households grew 25.1 percent, its rate of growth 12 percentage points lower than that of village collectives.

Income growth in 1987, according to villages surveyed in different economic regions showed that in the eastern region, income growth from village collectives was 34.7 percent over the previous year; in the central region, 33.2 percent over the previous year; and in the western region, 73.4 percent over the previous year. The growth spread was greatest in sections of the western region, followed by that for the eastern and central regions. For family operations in peasant households, the pace of growth was greatest in the eastern region, followed by that in the western and central regions.

The surveys showed that the chief source of income in village collective operations was derived from village operated enterprises, 75 percent of the total. In 1987, the growth spread in income from village operated enterprises was greatest in those in the western region, a growth of 78.4 percent over the previous year. This was followed by that in the central and eastern regions, with growths over the previous year of 21.5 percent and 13.1 percent, respectively. However, in terms of absolute sums, income from the average village enterprise for each village was still much greater in the eastern region

over that in the other two regions, which in 1987 was 4.38 times that of the central region, and 4.51 times that of the western region. But in 1986, the average income from village enterprises for each village in the eastern region over that for each village in the central and western regions, was 4.73 times and 7.1 times, respectively. Comparison of figures for the 2 years show a narrowing of differences, which is a favorable sign.

Third, at the same time that the village cooperative economy was experiencing rapid development, the function of village organizations providing services to peasant households before, during, and after production phases was becoming stronger; the number of different types of services was also growing daily. According to statistics, a unified and organized approach was used by 76 percent of the villages to prevent and control epidemic diseases among domestic animals; by 69 percent to build basic structures in small and middle-sized fields; by 67 percent for plant breeding work; by 65 percent to tackle drought and floods; by 56 percent to work with chemical fertilizers and agricultural chemicals; by 52 percent to conduct specialized training; by 50 percent to handle irrigation work; by 39 percent to control pests; by 34 percent to operate and maintain agricultural machinery; and by 8 percent to market fresh local products. Among villages surveyed, 50 percent provided single-item services in seven areas for peasant households, but the year before, half the villages were able to provide single-item services in only four areas. In 1987, villages not providing any services to peasant households comprised 4.6 percent of total villages surveyed, a drop of 1.8 percentage point over the year before, while at the same time, 20.1 percent of villages surveyed provided more than eight types of service.

#### V. Comparatively Rapid Development of Village Enterprises

##### A. Expansion in Scope of Enterprise Operation

In 1987, a total of 745 enterprises was distributed among villages surveyed, 41 fewer than the year before, a drop of 5.2 percent. But further expansion was noted in the scope of enterprise operation.

First was the increase in numbers of occupational workers. The number of occupational workers engaged in each enterprise averaged 40.7 persons, an increase of 5.1 persons over the previous year, a growth of 14.4 percent. According to classification by the dominant industry operating in the enterprise, the average number of workers in each fishing industry enterprise grew from 7.67 to 14 persons, a growth of 15.8 percent. But the numbers of persons working in enterprises dominated by farming, forestry, animal husbandry, and construction had dropped, with reduction among forestry enterprises felt the least.

Second were the year-end increase in value of fixed assets used in production, and further reinforcement of the role of the village cooperative economy in enterprise operation. The value of fixed assets used in production averaged 171,700 yuan per enterprise, an increase of 48.3 percent over the previous year. With respect to the value of such assets at year's end, 95.9 percent was owned by village collectives (an increase of 1.23 percentage points over the previous year, while other forms of ownership showed a proportional drop); 1.3 percent by unit collectives; 0.2 percent by worker shareholders; 1.8 percent by individual contractors; 0.02 percent (rented) from outside contractors; 0.6 percent by non-occupational shareholding outsiders; and 0.3 percent by others through other channels. This explains that among village-operated enterprises, ownership is chiefly in the hands of collectives.

Third was the increase in capital used for production by year's end in proportion to the total spent, with expansion in the scope of the operation. By the end of 1987, capital used for production in surveyed enterprises averaged 333,200 yuan of the total spent, a growth of 54.6 percent over the previous year. Of this, 157,100 yuan was fixed capital, 176,100 yuan was liquid capital, which represented growth over the previous year, of 62.9 percent and 47.8 percent, respectively, for these two items. However, the usable portion of liquid capital was only 9.6 percent, as it was highly precipitous. Among sources of capital used for production at year end, the spread of owned capital was comparatively greater, rising from the previous year's 105,800 yuan to 166,300 yuan, an increase of 57.2 percent. Of this, owned accrual grew 50.3 percent over the past year. Borrowed capital grew at the same pace, but its growth spread was less than that of owned capital by 5.2 percentage points. In 1987, the scope of the production operation among enterprises surveyed expanded. One of the reasons was the increased volume of work participation which averaged 11,400 work days, an increase of 13.6 percent over the past year. Second was the increase in income from the operation, which averaged 529,000 yuan, an increase of 68 percent over the previous year.

Fourth was the proportional drop in small cottage industry type enterprises. Enterprises with fixed assets of less than 50,000 yuan comprised 57.3 percent of total enterprises in operation, a drop of 6.3 percentage points over the past year. Enterprises with fixed assets of more than 200,000 yuan comprised 24 percent of total, a rise of 6 percentage points over the previous year.

#### B. Increase in Economic Benefits and an Expanded Regenerative Capacity in Enterprises

First, was the growth in gross income, gross profit, and net profit. In 1987, income from enterprise operations averaged 529,900 yuan per enterprise, with each worker generating 13,000 yuan of income, both reflecting growths of 68 percent and 46.9 percent, respectively, over corresponding income figures for the previous year.

Gross profit for each enterprise was 103,000 yuan, an increase of 49.6 percent over the previous year. Each worker generated a profit tax of 2,531 yuan, an increase of 30.8 percent over the previous year. Net profit for each enterprise was 53,000 yuan, a more than doubling growth over the previous year.

Second was the great growth spread in capital used to expand regenerative capacity. The capital used by each enterprise to expand regenerative capacity averaged 42,500 yuan, a growth of 1.48 times over that for the previous year. The proportion of net profit rose from 64.7 percent for the previous year to 80.2 percent, a gain of 15.5 percentage points.

Third was the rise in capital profit margins. In 1987, each 100 yuan of fixed enterprise assets generated 309 yuan of gross income and 60 yuan of profit, increases of 13.3 percent and 0.9 percent respectively, over figures for the previous year. The rate of net profit for each 100 yuan of expenses was 12.4 percent, growth of 1.64 percentage points over the previous year. The rate of net profit return from each 100 yuan of capital was 15.9 percent, an increase of 3.62 percentage points over the previous year.

Fourth were the rise in labor productivity and increases in workers' wages. In 1987, the gross income generated by each enterprise worker averaged 46.4 yuan per work day, an increase of 47.9 percent over the previous year, generating 9.02 yuan of profit and 4.64 yuan of net profit, which were increases of 31.7 percent and 76.4 percent, respectively, over the figures for the previous year. Grouped according to labor productivity, enterprises where net profit generated by each worker averaged less than 2 yuan per work day comprised 35.3 percent of total enterprises, a drop of 53.8 percentage points from the previous year; the number of enterprises where this net profit figure over 4 yuan rose to 40 percent of total enterprises, from 5 percent for the previous year.

The wages of workers in various enterprises also increased. The annual wages for each worker averaged 1,110 yuan, an increase of 17.3 percent over the year before. Of this, a great portion was for increased annual wages for newly hired workers whose wages averaged 951 yuan, an increase of 46 percent over 651 yuan for the previous year.

#### C. Greater Cash Income Than Expenses for Enterprises

In 1987, the cash income for each village-operated enterprise averaged 340,000 yuan annually, an increase of 31.4 percent over the previous year. Of this, 55.3 percent was operating cash income, an increase of 6.1 percentage points over the previous year; 43 percent was cash from savings and loans, a drop of 6.7 percentage points over the previous year.

Furthermore, debts and credits had also accumulated with various enterprises, though the increase in credit was comparatively larger. Comparison between figures at the end of the year and the beginning of the year showed credit had increased by 24,400 yuan, debt by 25,700 yuan, leaving a debt balance of 1,300 yuan, a reduction of 93.6 percent over the previous year. D. Rapid Development of Unit-Operated Enterprises

Though the proportion of various enterprise indicators in unit-operated enterprises was small, their growth as measured against themselves has been rapid, showing good results. It was seen chiefly in the extent of growth among numbers of workers employed, and the amount of work participation, which individually were 55 percent and 14 percent higher than that of village-operated enterprises. Rapid growth of the year-end value of fixed assets used for production and the rapid growth of year-end capital as percentage of total spent were individually 95.3 percent and 132 percent higher than that of village-operated enterprises. The extent of operating income and profit growth far exceeded that of village-operated enterprises by 60 percent and 117.8 percent, respectively. At the same time, payment of state taxes and prepayment were also more prompt than that by village-operated enterprises—by 111.1 percent and 92.8 percent. However, it must be noted that the scope of unit-operated enterprises had been quite small, and owned accruals only showed a growth of 11.8 percent over the previous year, and lower than that of village-operated enterprises by 39.2 percentage points. Capital used to expand regenerative capacity only grew 19.6 percent, lower than that in village-operated enterprises by 142 percent. The profit generated each work day was also 28.1 percentage points lower than that in village-operated enterprises.

#### E. Development of Shareholding Operations

According to statistics on 704 enterprises, 126 enterprises were shareholding operations, 17.9 percent of enterprises surveyed, an increase of 3.5 percentage points over figures for the previous year. The number of shares and value of shares also rose. In 1987, each enterprise surveyed averaged 6.9 shares, an increase of 2.3 times over the previous year. Of these, shares in village and unit collectives grew from 0.46 shares to 3.2 shares, an increase of almost six times, and comprising 46.4 percent of total. Individual shares dropped from 1.28 shares to 0.9 share, a reduction of 29.7 percent. Total share value of 8,120 yuan grew 50.9 percent over that for the previous year. Of this, value of shares in village and unit collectives grew 88.4 percent, comprising 54.6 percent of total share value; and value of individual shares increased 6.4 percent.

#### Comparison by Group

Classification according to dominant industry in the operation showed shares in commercial beverage and food industries to be most numerous, comprising 83.6 percent of total shares. Classification according to economic region

showed enterprises in the western region averaging 34.5 shares, comprising 83.9 percent of the total number of shares. Classification by scale of capital investment showed enterprises with capital between 200,000 and 500,000 yuan averaging 49.6 shares, and comprising 84 percent of total shares. Classification according to operating income showed enterprises with less than 10,000 yuan operating income averaging 18.5 shares and comprising 83.9 percent of total shares. From these figures, it could be seen that shareholder-operated enterprises were generally small-scale, in operation recently, and profit and rates of return were generally on a moderate scale.

#### F. Increase in Service Industries

According to 1987 statistics on 719 enterprises, 52 percent of them used hired workers, an increase of 5.9 percent over the previous year. Each enterprise averaged 22.9 persons hired (an increase of 66.8 percent over the previous year), comprising 56.3 percent of workers employed (a drop of 2.9 percentage points over the previous year). Among workers hired, the average number coming from outside the village grew from 8.9 persons to 13.1 persons, an increase of 47.2 percent. This explains that the confining restraint of location in enterprise development had been weakened and enterprise operation continued to grow stronger because of it. Wages for hired labor had also gone up. In 1987, the annual wages for each hired worker averaged 951.5 yuan, an increase of 46.1 percent over the figure for the previous year, and the ratio between the average annual wage for each hired worker and the average wage for all enterprise workers shrunk from a 1986 ratio of 1:45 to 1:1.17. However, its imbalance should be looked at. Wages in such industries as forestry, animal husbandry, transportation, and commercial food and beverage services each dropped by 40.7 percent, 24.8 percent, 64.1 percent, and 41.8 percent, respectively. Comparison of enterprises using hired labor and those not using hired labor showed the scale of operation in the former generally larger, their operating income and potential for generating taxes and profits obviously higher than the latter, and their regenerative capacity much stronger.

#### Footnote

1. In 1986, the average per capita income of 27,568 sample households studied was 510 yuan. It was then compared with 1984 figures, based on wholesale prices to calculate the value for the portion of self-supporting food grains and the net per capita income was officially declared at 491 yuan.

**Hubei To Set Up Cereal, Cotton Bases**  
*HK2205130789 Beijing CEI Database in English*  
22 May 89

[Text] Wuhan (CEI)—China is planning to invest 360 million yuan to construct two production bases of cereal and cotton in Hanjiang plain and Gangdi of Hubei Province, a provincial governmental official disclosed here recently.

He said funds will come both from the state and local levels.

According to the plan, major efforts will be made in the next three years around 150 projects such as small scale irrigation works, improvement of low producing fields, cultivation of barren lands, expansion of farming technology, breeding of high produce seeds and farming machinery service.

Experts say that the two bases, when completed, may produce 1.13 billion kg of cereals, 100 million kg of cotton and 90 million kg of oils.

There are currently more than 1.3 million hectares of cultivated land in the two bases.

#### **Anhui Afforestation**

40060609c Hefei ANHUI RIBAO in Chinese  
8 May 89 p 1

[Summary] As of 20 April, Anhui Province had afforested 1,957,500 mu, exceeding the plan by 26.3 percent.

#### **Yunnan Rural Savings**

40060609b Kunming YUNNAN RIBAO in Chinese  
5 May 89 p 1

[Summary] At the end of March, rural savings in Yunnan Province totaled more than 3.06 billion yuan, an increase of 170 million yuan over the end of 1988.

#### **Grain Production Problems, Solutions Discussed**

40060485b Beijing ZHONGGUO JINGJI TIZHI  
GAIGE [CHINA'S ECONOMIC STRUCTURE  
REFORM] in Chinese No 3, 23 Mar 89 pp 29-32

[Article by Zhang Liuzheng 1728 3966 1767: "How To Deal With the Food Problem Under Inflation"]

[Text] China's grain supply has fallen behind demand since a downturn in grain production began in 1985. The drop in production was smaller in 1988 than in the previous 2 years, but the trend of grain shortages is continuing and may get worse.

What can happen if the grain shortage continues? Grain was regarded as the basis for market prices in the past, and I think it still is. When grain price goes up, it pushes up the prices of a series of related products and services. A grain shortage will be followed by shortages of other foodstuffs and major agricultural products. It will not only hinder the reform of the agricultural products circulation system, but will adversely affect national economic construction and the structural economic reform as a whole. The present inflationary environment is not conducive to solving the grain problem. Conversely, improper handling of the grain problem, or attempts to ease the present shortage, will not help bring

inflation under control and can make it worse. Therefore, even short-term solutions must be based on strategic considerations and serve long-range objectives.

#### **The Foundation: Grain Production**

Production is fundamental. How should grain production be increased? Two things have often been overlooked in the past. The first is to keep up a steady increase in grain production. Besides air, sunlight, and water, food is the most indispensable item that people consume on a daily basis. The traditional Chinese diet consists mainly of cereals, and the most basic food is grain. To increase the proportion of meats in our diet, it is also necessary to produce more grain. Population growth and diet improvement must be accompanied by continued growth in grain production. The second is to gradually increase per capita grain consumption. Consumption is by individuals. Therefore, in measuring the level of production, we should not pay attention only to total output and ignore per capita consumption, because the latter is the indicator that shows the real level of grain production and supply ability. Between 1957 and 1977 China's total grain output increased at an average annual rate of 2 percent, while the population grew at an annual rate of 2.1 percent. Per capita grain consumption actually dropped, and the material basis was lacking to improve the people's diet. Our goal is to increase total grain output from 800 billion jin to 1 trillion jin by the end of the century. However, if our population grows beyond 1.25 billion, or even 1.3 billion, our per capita grain consumption will be less than 800 jin. How, then, can we achieve the goal of a fairly comfortable living standard? Therefore, both total grain output and per capita grain consumption must be increased.

Conditioned by objective laws, especially by natural laws, growth in agricultural production is cyclical. According to China's historical experience, agriculture goes through roughly 5-year cycles, with "2 good, 2 average, and 1 lean year" in each cycle, and when the bumper years more than offset the lean ones, production rises to a new level, which can be regarded as steady growth under normal conditions. Beginning in 1978, with the exception of 1980, grain output increased at a rather high rate for 6 years. It was an outstanding success of the structural reform of the rural economy. The reform brought grain production capacity (human, material, engineering, and technological) into full play. At the same time, the foundation laid during the past 20 years and more also contributed to the success. However, since 1985, our total grain output has remained at around 800 billion jin each year, and per capita grain consumption has tended to decline. The growth momentum has run its course, and the material resources and accumulation mechanism needed for continued growth are lacking. First, the resources put into agriculture by the central government, local governments, and peasant households have decreased year after year since the Sixth 5-Year Plan. Irrigation facilities, soil fertility, and technological reserves are being depleted or worn out. During this



period, peasants have showed some enthusiasm to invest more money in agriculture, but the emphasis has been on projects that can produce quick results. Some local governments have the mistaken idea that bumper harvests can be achieved with little or no investment, and they see no reason to waste money and effort. For more than 20 years after the founding of the People's Republic, the area of irrigated farmland in China had grown rapidly. In 1980, the trend began to turn downward, and, by 1985, the irrigated area was reduced by nearly 1 million hectares, equivalent to a reduction of more than 2 hectares from each 100 hectares of existing irrigated farmland. In the past 2 years, the irrigated area has begun to increase again, but has not yet reached the previous level. Second, since farming was turned into family operations, farmlands have been carved up into small plots, which have some disadvantages. Although family farming can fully tap the potential of farm animals and manual labor, it hinders agricultural modernization; although it may help peasant households meet their food and clothing needs and even improve their living standards, it cannot free them from the self-sufficient or semi-self-sufficient form of small peasant production. Fundamentally, this form of production lacks an accumulation mechanism and does not provide economic drive for expanded reproduction. Once peasants' enthusiasm for production diminishes, it will mean a shortage of agricultural products on the market, and it is difficult for the state to carry out macroeconomic regulation and control when there are hundreds of millions of microeconomic operating units, so the state has to rely on compulsory administrative means, because other measures are ineffective and often twisted or "held up."

We must recognize the fact that agricultural production cannot go beyond the limitations of resources. China's most obvious national condition, a large population with limited land, has become even more pronounced in the past few years. On the one hand, farmland is shrinking by an average of about 7 million mu each year, and, on the other hand, the population is growing by an average of more than 14 million per year. Basic units of grain production and consumption are moving in opposite directions at a 1:20 ratio, and the trend seems irreversible. All this is attributable to the present form of agricultural production. To be sure, if we pay attention to scientific and technological progress, we need not worry too much about the reduction in per capita farmland area. The grain supply problem can be solved by increasing land productivity, that is, by increasing yield per unit area by a large enough margin to not only cover the loss from reduced acreage but to keep total grain output on the rise as well. However, to achieve this goal, two unfavorable factors, in addition to the lack of sufficient technological and financial resources and input, must be dealt with: One is the weakening of the agrotechnical extension system as a whole in the past few years, and the other is the limited capacity and willingness of agricultural producers to accept new scientific and technological achievements.

A current misconception is that promoting relatively large-scale farming means taking back the land from the contract peasant households. In fact, various forms of relatively large-scale farming have already been developed by the masses according to local conditions, and they should not be forced to all do things in the same way.

The above can be summed up as follows:

**Coordinate growth in total output and increase per capita consumption.** Growth in total grain output has not been accompanied by increases per capita grain consumption and the momentum to keep production growing. Per capita consumption and growth momentum have been insufficient or lagging behind. The problem will remain crucial in the future. Its proper solution is essential for grain production to keep up with demands.

**Accurately appraise the role of family farming operations.** At present, China's agriculture comprises 190 million peasant families working on 1.5 billion mu of land. In dealing with the grain problem, we must not only recognize the historical role and adaptability of this family-based farming system, but also understand its limitations in development. Any bias will not help solve the problem.

**Fully understand that agricultural input is indispensable for increasing grain production.** The only way for China to increase grain production (other agricultural products as well) is to practice and expand intensive farming. Whether labor intensive or technology intensive, it will require funding and increased input. In the past, it was thought that by relying on science and technology, agriculture would cost little or no money. Like the idea that with biotechnological progress there is no need for improvement in tools, it is a serious misinterpretation of the law of development of agricultural productive forces, and its influence on our decisions must be eliminated.

**Bring into play the role of circulation in stimulating production.**

**The Crux: Save Grain or Eat as Much as We Want?**

The question was raised 30 years ago. Comrade Chen Yun gave a clear answer then, "By using sparingly, we can have enough grain for food and other purposes. But, if we eat as much as we want, there is not enough either for food or for other purposes." He also pointed out, "The contradiction between using grain sparingly and eating as much as we want" is "the crux of China's grain problem at present and for some time to come." The situation has changed greatly since then, and our total grain output has more than doubled. Our people's food consumption is now moving from sustenance to a fairly comfortable level. However, the grain problem that has occurred since last year is essentially the same as the old one.



During the Sixth 5-Year Plan, China's grain output increased sharply, but consumption increased even faster, and production fell short of demand. During the first 3 years of the Seventh 5-Year Plan, the adverse supply-demand situation has not improved significantly. So far our per capita grain output has not yet reached the 1984 level, but our per capita food consumption, including edible vegetable oil, pork, eggs, aquatic products, and sugar—with the exception of grain consumption, which peaked in 1986 and dropped slightly in 1987—has risen continuously. The general trend is that urban residents are buying less grain year after year, but more meat, poultry, eggs, milk, sugar, edible oil, fruits, and vegetables; and peasants have increased grain rations (especially of rice and flour) as well as meats and other nonstaple food. Meat animals are fed mainly with grain, and other agricultural products are largely produced on converted grain fields. Thus, the pressure on grain supply has multiplied. Suppose the increase in grain output between 1978 and 1987 was 100, then the increase in grain used for food rations, animal feed, and winemaking was 120 for the same period. In other words, grain consumption increased at a rate more than 20 percent higher than grain production. To fill the big gap between production and consumption, we must rely on our own efforts. We must either increase the growth rate of grain production or reduce the growth rate of consumption.

China's per capita grain output is below the world average, and its per capita GNP ranks among the low-income countries. Despite these conditions, people still consume a fairly large amount of food, and food consumption is still increasing. Therefore, while increasing grain production, it is imperative to properly control the growth of consumption, check waste, and make full use of existing food resources. At present, the question of whether to use grain sparingly or eat as much as we want is actually a contradiction between "enough food" and "good food." China's present grain production and supply capacity can guarantee "enough food," but only a moderate amount of "good food." Otherwise, the food shortage will become increasingly acute. Moreover, "good food" is mainly a question of meat supply and the availability of feed grain. Judging by China's present grain production situation and future prospects, it is unlikely that a rapidly growing proportion of grain can be used for feed. What urgently needs to be done is to readjust the pattern of grain consumption and, from a long-term viewpoint, it is necessary to rearrange the scale of development and the product mix of aquaculture.

#### **The Solution: Reform of the Circulation System**

To solve the contradiction between grain production and consumption and between supply and demand, not only is it necessary to increase production, but it is imperative to accelerate reform of the circulation system and to act according to the laws of the commodity economy. On the one hand, we should treat grain as a commodity and continue to expand the regulatory role of the market. On the other hand, we should also regard grain as a special

commodity, strengthen macroeconomic regulation and control, and move toward the goal of free sales and purchases under macroeconomic regulation and control. This is the direction for reform of the grain circulation system.

Complete freedom in sales and purchases of agricultural products, grain in particular, is practically nonexistent in today's world. An equal-competition market system has not yet been formed in China, and our market mechanism is far from perfect. If sales and purchases are made completely free, the peasants will be either driven back to the closed, self-sufficient economy or left to drown in the waves of the commodity economy. Either way, the majority of the peasants will be the ultimate losers. Our limited agricultural resources cannot take such repeated losses. We should have learned something from the price fluctuations of some industrial crops and their consequences in the past few years.

Experience gained in the past decade shows that to push the reform forward in depth, we must move on in the same direction, continue to implement established basic policies, and strengthen and improve these policies in the light of the need to improve the economic environment and rectify the economic order. At present, we need to solve three major problems in order to enhance grain circulation. We need to strengthen macroeconomic regulation and control, stabilize purchases and reduce sales, and rationalize the price system.

First, we should move forward in reforming and strengthening macroeconomic regulation and control. Because inflation has not been effectively brought under control and because grain supply falls short of demand, it is imperative to strengthen macroeconomic regulation and control, while gradually expanding the regulatory role of the market. To strengthen macroeconomic regulation and control, the urgent question is how to organize and implement regulation and control with reform in mind. The following must be clearly understood in making decisions: 1) Who has the main authority for regulation and control? Of course, it is the state, the government representing the interests of all the people. Who exercises the functions of regulation and control on behalf of the state? There should be such an organization. The important thing is that it must be an organization independent of commercial and business operations, not intended for profit, and backed financially by the government. Existing organizations, which make no distinction between government and enterprise, cannot take on this important responsibility. 2) What means is needed for regulation and control? The basic means is control of material forces that can affect grain supply and demand: The first is to set up a grain reserve fund, large enough to manipulate purchases and sales when necessary; the second is to have the needed guarantees for use of this fund, including basic facilities, a good system, and qualified personnel; and the third is to set up an information network. As to market prices, generally they should be regulated by changing the supply and demand

situation, and not by forcible means. 3) Where do regulation and control take place? Macroeconomic regulation and control is different from allocation by planning and cannot be carried out by issuing administrative orders from offices. Suppliers and buyers must be attracted and influenced through market activities. Regulation and control take place in the market, not the traditional market forms, but more highly organized markets such as wholesale markets, futures markets, and so forth. At first, in developing these markets, it is necessary to put an end to such practices as making deals outside the market, intervening by administrative and legal means.

At present, it is difficult to put these ideas into practice all at once, but it is possible to prepare conditions and conduct experiments for partial implementation.

Second, we should adhere to the basic policies that have been in effect since 1985. However, under inflationary conditions, the policy of "reducing purchases and sales" should be revised to "stabilizing purchases and reducing sales." The reason to change "reducing purchases" to "stabilizing purchases" is to coordinate the reform in purchasing with that in sales and to alleviate the contradiction between grain supply and demand. Since the implementation of contract grain purchases, two major problems have been quantity and price. Since 1985, the quantity purchased has been reduced a little each year, and the purchase price has been increased a little each year. It has helped improve the relationship between the state and the peasants, but has failed to stimulate long-range development in grain production. Now, purchasing quotas have been reduced to below the targets set for reduced sales. Further reduction not only will aggravate the situation in which the state sells more grain than it purchases at lower-than-market prices, but will hamper the state's effort to possess enough grain for macroeconomic regulation and control. Therefore, grain purchases should be stabilized.

Reducing sales means to reduce the quantity of grain sold by the state at lower-than-market prices, while properly increasing the quantity sold at negotiated prices and in the open market. Reducing sales is the precondition for stabilizing purchases. Without reducing sales, purchases cannot be stabilized, much less reduced. Past experience has taught us that it is easy to increase, but difficult to reduce, food sold at lower-than-market prices. Therefore, such sales should not be increased any further at present, and should be reduced rather than increased in the future. Reducing sales to consumers can be carried out by variety to help eliminate the confusing "double-track" or "multitrack" pricing system for the same commodity. It can also be carried out in conjunction with the practice of fixing prices according to the quality of product—higher price for better quality—so that both producers and consumers will benefit. While reducing sales, it is imperative to control the circulation of food coupons, both in scope and number. Past experience has taught us that, like currency, it is not advisable

to have too many food coupons in circulation. At the first sign of trouble, there will be panic buying. Its powerful impact will be felt not only by the grain market, but by other consumer goods markets as well. Grain sold at negotiated prices should also be controlled by planning. For example, there must be strict control over the use of grain for winemaking, by economic means and, when necessary, administrative and compulsory means as well.

Third, we should actively but cautiously straighten out the price system. To be sure, price reform must be accompanied by a series of supporting measures. Readjustment of grain sales prices should be coordinated with reform of the wage system, readjustment of subsidies, and so forth.

### **Overproduction of Tobacco, Liquor Viewed**

*HK1805141589 Beijing JINGJI RIBAO in Chinese  
6 May 89 p 2*

[Article by Zhao Guangyao (6392 1639 5069): "Defects of Overproduction of Cigarettes and Wines"]

[Text] In China the overproduction of tobacco, liquor, and beer is critical. More and more land has been dedicated to growing tobacco and more and more grain to making liquor and beer. As a result, grain has decreased by about 25 million tons—which is enough to feed the whole population for 2 months—per year in the last few years. If we let the malpractice go unchecked, the consequence will be very serious and it will be too late to repent!

According to the investigation conducted by the relevant departments into 77,000 peasant households, who grow flue-cured tobacco in 21 provinces across the country, the areas sown to flue-cured tobacco this year will expand by 19.2 percent as compared with 40 percent for last year. This means the areas sown to flue-cured tobacco will total 23 million mu this year. Since the 1950s China's population has doubled, while the sales of cigarettes have increased 10-fold, to the exclusion of leaf tobacco which is consumed by a considerable number of peasants. During the last 20 years, the annual growth rate of China's tobacco industry has averaged 10 percent, and China has taken a twofold lead in the production and consumption of tobacco among countries throughout the world. A big increase in production and consumption of tobacco in China forms a sharp contrast with the effort on the part of various countries in the world to gradually curb tobacco production and consumption. To gain staggering immediate profits by vigorously expanding the production of tobacco and liquor is harmful to the longterm interests of our state and nation.

It is enough to enlighten the benighted to mention only the harm done to the agricultural production by tobacco and liquor, leaving alone their hazard to man's health. Increasing the areas sown to tobacco to 23 million mu this year will at least displace a large area of paddy field

which will produce 11.5 tons of grain. In 1988 China produced 5 million tons of liquor consuming 12.5 million tons of grain; in the same year it produced 6.54 million tons of beer, ranking in the annual production of beer only after the United States (23 million tons) and the FRG (9.40 million tons); and the number of breweries increased from 130 to 813. During the period when the 7th Five-Year Plan was being carried out, China's beer industry expanded by 30 percent, three times the growth rate of the entire industry. In 1988, 14 million tons of grain was consumed for making liquor. According to the report by the Ministry of Light Industry, the grain for making liquor increases by 1 million tons a year, while China's cultivated area decreases every year. Since 1985 China's agriculture has hovered at zero growth for 4 years. A country with grain to spare before has turned into a grain-deficient one; cotton is in increasingly short supply. In 1988 China's per capita consumption of grain was 360 kg (including a large quantity of grain for fodder, food, medicine, and the textile industry). In 1988, China spent a lot of foreign exchange importing grain, but 93 percent of the 15 million tons of imported grain (14 million tons) was used for making liquor. Some province, not self-sufficient in grain, had to transfer more than 1 million tons of grain from other provinces every year, but one-third of it was used for making liquor. Chief of the World Observation Institute Brown has warned that it is unlikely to put an end to the declining tendency of grain production worldwide. He said that as the world's area under cultivation decreased by 8 percent in the 1980s, grain production has "noticeably and considerably" declined, and the tendency is unlikely to improve in a few years.

The situation in grain production at home and abroad indicates that it is imperative for China to curb the production of tobacco and liquor, and vigorously reduce the land for growing tobacco and grain for making liquor!

In my opinion, the system under which every local unit is responsible for its finances is basically to blame for the overproduction of tobacco and liquors. The current system under which every local unit is responsible for its finances and the system under which cadres are subject to assessment have strengthened the utilitarianism on the part of local governments. Tobacco, liquor, and beer are all high-duty and high-profit commodities, and more tobacco and liquor means more duties and more financial incomes for local governments. Since taxes and profits are much greater from growing tobacco than from growing grain, leading government officials in all places, taking their local interests into account, vigorously encouraged or even forced peasants to grow tobacco. Some provinces took administrative measures to commit peasants to growing tobacco, increasing production quotas in planning at every lower level, irrespective of natural and economic conditions, so that it would be able to levy a 38 percent tax on tobacco. In some provinces the area sown to flue-cured tobacco was 30 percent higher this year than last. The authorities in

some places took coercive measures to incur a fine of 100 yuan for failing to grow one mu of tobacco, and saw to it that every village and every household followed their orders. As a consequence, the area sown to flue-cured tobacco expanded further following a big increase in the area last year. Being eager for quick success and instant benefit, many local governments have gone all out to develop the production of liquor and beer in recent years. Liquor distilleries, big and small, have increased to 10,000 in Sichuan, and to 200 in Hao county, Anhui. Zhejiang province has built 118 breweries. Some places in the central plains, which are running short of funds, are trying in every possible way to get money from the provincial, ministerial, and state financial departments so as to build breweries and import production lines for beer. According to the statistics provided by the Ministry of Light Industry, there is a total of 50,000 liquor distilleries including 40,000 throughout the country.

I believe that as the overproduction of tobacco and liquor has disturbed the rational growing and industrial structures and is out of tune with the development of the national economy, it is difficult for the Ministry of Light Industry and Ministry of Agriculture to bring the overproduction of tobacco and liquor under control. Therefore I suggest: 1) the State Council must take drastic measures to deal with the situation—committing local governments to turn over all taxes and profits from the production of tobacco and liquor to the state so as to thoroughly dampen the enthusiasm for developing the production of tobacco and liquor on the part of local governments; 2) the State Council must strengthen its macroeconomic control over the production and sales of tobacco and liquor, strictly restricting their outputs and gross sales, reducing them at least by half; 3) the State Council should sort things out in the production of liquor, make a unified plan, arrange the distilleries rationally, and avoid blind and overlapping construction of distilleries. Small distilleries that do not come up to the standard (the ones which consume too much grain and energy, and produce poor quality products) should be closed down, halt operations, merge with other distilleries, or be rebuilt into other factories. Small distilleries, if possible, should optimize their productive forces in cooperation with famous distilleries, organize enterprise groups for producing liquor and beer (such as the five-star beer group) with famous brand liquors acting as leading products, and work hard to occupy the international market; 4) the government should strictly restrict the building and extension of liquor and beer breweries, and importation of production lines of beer, and barley; 5) the government should restore and improve the institutions which supervise the production and marketing of wines, and the operations of the units which have a monopoly in selling liquors, clear away the confusion in the production and marketing of liquors, and completely eliminate fake liquors in the interests of the state and consumers.

**Inner Mongolia Irrigation Project Begins**  
*HK2405120789 Beijing CEI Database in English*  
24 May 89

[Text] Hohhot (CEI)—Earth has been broken at the Yellow River bend in Inner Mongolia for an irrigation project partially financed by the World Bank.

The total investment is 506.4 million yuan with 66 million U.S. dollars from the World Bank. The project will offer bids to both foreign and domestic contractors and will take about 5-7 years to complete. Earth work is to be done by domestic contractors and building materials such as timber, steel and cement will be imported through international bidding.

The term of the World Bank loan is 20 years.

The project involves the building of a 170 kilometer draining channel, improvement of a 230 kilometer main channel, and the development of a farming irrigation system. The project also includes the supply of building, transportation and maintenance machinery, equipment, chemical fertilizer, and agricultural technique and services.

When the whole project is completed in 1995, total grain output in this area will increase to 475 million kilograms from the present 265 million kilograms, sugar beet output to 735 million kilograms from the present 515 million kilograms, and oil-bearing crops will also increase by 16 million kilograms. The number of cattle will increase conspicuously.

**Sichuan Gets International Agricultural Loan**  
*HK2405121189 Beijing CEI Database in English*  
24 May 89

[Text] Chengdu (CEI)—The World Agricultural Development Fund (WADF) has granted a low-interest loan of 17.3 million U.S. dollars to China's largest agricultural province—Sichuan.

The term is 50 years at an annual interest rate of 1 percent. It will be used for developing animal husbandry in the poverty-stricken areas of this province. The provincial government has also decided to allocate funds to aid the poor areas. The total domestic and foreign investment is 120 million yuan.

China began to cooperate with WADF in 1980. Four provinces and have benefited from it. [sentence as received]

**Hubei To Develop Grain, Cotton Centers**  
*OW1405012189 Beijing XINHUA in English 1430*  
GMT 13 May 89

[Text] Wuhan, May 13 (XINHUA)—The state and Hubei provincial authorities have decided over the next three years to pour 360 million yuan (about 97 million U.S. dollars) into the development of two production bases for grain and cotton, respectively, according to a local official today.

Vice-governor of the province Zhang Huainian said the two bases will cover a total of 1.3 million ha, accounting for 50 percent of the province's total cultivated area.

The projects will involve 150 items, including the construction of small-sized irrigation and water conservation systems, transformation of low-yielding land, promotion of agricultural science, breeding good strains of grain and cotton, and the building of agricultural machine repair stations.

The vice-governor announced that after these projects are completed, the two bases will supply 1.13 billion kg of grain, 100 million kg of cotton and 90 million kg of vegetable oil.

**Pros, Cons of Grain Price Adjustments Analyzed**  
*40060533 Beijing JIAGE LILUN YU SHIJIAN*  
*[PRICE THEORY & PRACTICE] in Chinese*  
No 3, 30 Mar 89 pp 44-49

[Article by Yang Lu 2799 7627 and Zuo Wosheng 1563 3087 3932: "Setting Proper Fixed-Quota Purchase Contract Price and Transfer Price of Grain"]

[Text] The central government's rural task conference has concluded that the fixed-quota purchase contract price of grain should be raised in 1989. This measure will ease the price problem which has discouraged many peasants from growing grain crops in some localities, and it will help narrow the widening gap between the purchase price and market price of grain and guarantee the fulfillment of the fixed-quota purchase contracts. But because China is experiencing serious inflation today, and because there is a growing difference in economic development among the regions, boosting the purchase price could lead to new problems not encountered in previous attempts to raise the prices of agricultural and sideline products, and it could aggravate problems which are not yet serious.

**I. Existing Grain Price Problems**

A. The main problem with grain prices today is the rapid and excessive increase in market prices which has widened the gap between fixed-quota purchase contract prices and market prices.

In the last 4 years, China's grain production has stalled and supply has fallen far short of demand. Aggravated by inflation, the market price of grain has soared. Today, the purchase price of grain (the composite average of the flat-rate price and surcharge for above-quota purchases) has risen 12 percent compared to 1984 prices but the market price has risen 52 percent. Between January and November of 1988 alone, the market price has risen 35 percent. The ratio of list price to market price has increased from 1:1.86 at the beginning of the year to 1:2.51, and there has been no seasonal price drop. The huge disparity between list and market prices has substantially raised the opportunity cost for those peasants who deliver grain under the fixed-quota purchase contracts. Meanwhile, the price index of agricultural means of production has risen in excess of 13.5 percent, more than the increase in the fixed-quota contract purchase price, and so the production cost of grain under government purchase contracts has increased and profit has decreased. This has resulted in greater disparity in comparative advantages between peasants who sell grain under the purchase contracts and those who sell grain at negotiated price or market price, and it has become increasingly difficult to fulfill the grain purchase quotas. Some localities have no alternative but make sales to the government mandatory, and this has heightened the antagonism between the peasants and the government.

B. The composite average purchase price of grain has risen faster than the prices of oil crops, cotton, jute, bluish dogbane, leaf tobacco, sugar crops and other major cash crops which are managed by the state.

The amount of grain sold at negotiated or market prices is equal to about one-half of the government's grain purchases. The surge in the market price of grain also raises the nation's composite average price of grain which is the weighted average of the fixed-quota purchase contract price, the negotiated price, and the market price. According to the ZHONGGUO TONGJI NIANLAN [CHINA STATISTICAL YEARBOOK], compared to 1984 prices, the composite average price of grain has risen 20.8 percent by 1987. Although this is less than the increase in the prices of products which have been decontrolled, for example, aquatic products, native and sideline products, preserved and fresh fruits, dried and fresh vegetables, and some poultry and livestock products, it is still more than the increase in the purchase prices of major cash crops such as edible vegetable oil and oil crops, cotton, jute, tobacco, and sugar crops, all of which are not decontrolled (see Table 1)

**Table 1. 1987 Agricultural Sideline Product Purchase Price Indices by Product Categories**

Item	1987 Base Price (=100)	1984 Base Price (=100)
Overall Index	198.8	129.45
Grain crops	239.4	120.84

Cash crops	163.9	108.61
Poultry and livestock products	205.1	150.66
Cocoon and silk	172.1	140.53
Preserved and fresh fruits	221.0	147.02
Dried and fresh vegetables and condiments	197.4	152.99
Medicinal materials	127.1	106.87
Aquatic products	375.9	205.16

C. Grain prices vary significantly among localities, and not all peasants are equally enthusiastic about growing grain crops. Moreover, the enthusiasm for grain production is determined to a large extent by its comparative advantages which are out of proportion with the price level at the moment.

The market demand for grain, and the market supply, varies among different localities, and therefore the market price of grain varies significantly among different localities. Take rice for example. In the early part of November of 1988, the national average price of rice was 1.35 yuan per jin, but prices in Beijing, Fujian, Guangxi, Guizhou, and Yunnan were 1.7 yuan, 1.61 yuan, 1.617 yuan, 1.9 yuan, and 1.826 yuan respectively, but in Zhejiang, Jiangxi, Hubei, and Qinghai, they were 1.092 yuan, 1.1 yuan, 1.049 yuan, and 0.865 yuan respectively. The highest price is more than twice the lowest price. Because fixed-quota purchases as a percentage of the total sale of commodity grain vary significantly among localities, there are significant differences in the composite average purchase price of grain among the regions.

Accompanying the growing disparity in the overall grain purchase price among different regions is the increasing difference in the opportunity cost in grain production. In some localities, the overall price level of grain is fairly high, but the peasants are more interested in raising fish or growing fruit trees than grain crops. In other localities, although grain prices are not high, the peasants' enthusiasm has not dampened. Take maize for example. In Jilin and Inner Mongolia, not only the purchase price but also the market price of maize are much lower than elsewhere, but the peasants are still devoted to this crop. The situation in some localities inside the Shanhaiguan is just the opposite.

## II. Possible Problems If the Fixed-Quota Purchase Contract Price of Grain Is Raised

In the present macroeconomic climate of inflation, because the financial ministry has limited means, and because of the pressure to check the rising price level, it will be difficult to meet the intended goal of raising the fixed-quota purchase contract price of grain. If not implemented properly, it could produce very adverse effects.

A. We cannot narrow the gap between the list and market prices of grain by much and so basically we cannot appease the peasants who are dissatisfied with the fixed-quota purchase contract price.



The sharp increase in the market price of grain has enticed many peasants to grow more grain crops. Based on our sample survey and related questionnaires, most peasants want to maintain their present grain crop acreage; some want to increase the acreage while only a few plan to reduce the crop seeding area. But as market prices continue to surge, the relative profit of those who sell grain under the purchase contracts has plummeted, and the peasants are increasingly resentful of their obligations to fulfill the purchase contracts.

The peasants' dissatisfaction with the fixed-quota purchase contract price lies in two areas. One, the price is too low, and two, the prices of agricultural productive resources have risen faster than the purchase price. One of the main purposes of raising the purchase price is to reduce the disparity between list price and market price. But even if the financial ministry exhausts its means, it will make little difference because of the magnitude of increase in the market price of grain in recent years. Up to the first part of November of 1988, the market price has risen 35 percent compared to the beginning of the year. Even if we ignore the fact that market prices may continue to rise, the momentum of this year's price increase will cause the market price of grain to be 23 percent higher in 1989. And even if the market price of grain in 1989 should stabilize at the November 1988 level and the purchase contract price is raised by the planned amount, the gap between list and market prices will continue to widen, and we will not appease the people who are dissatisfied with the low fixed-quota purchase contract price. In a macroeconomic climate of inflation, it is not only difficult to raise the purchase contract price to keep up with market prices but it will also defeat the purpose of the state's use of purchase contract prices to keep the price of grain down.

**B. We may create new disproportions in the price relations**

Relative to some agricultural and sideline products which have been decontrolled, the comparative advantage of grain production has diminished. This is one of the problems which the state wants to address by raising the purchase price of grain. But because the composite average purchase price of grain is already fairly high relative to the prices of live-hogs and other animal products and cash crops such as cotton, sugar crops, tobacco, oil crops and jute which are basically set by the state, raising the fixed-quota purchase contract price of grain will further raise the overall price level of grain. Higher grain prices will narrow the comparative advantage gap between grain and those agricultural and sideline products which have been decontrolled, but it will widen the gap between grain and those agricultural and

sideline products which have not yet been decontrolled. In particular, where land-use is concerned, grain production and the production of those agricultural and sideline products which have comparative advantages is far less interchangeable than grain production and the production of those agricultural and sideline products which have comparative disadvantages. As we raise the purchase price of grain to reduce the price disparity between grain and those agricultural and sideline products which have been decontrolled, if the state fails to spend more money to reduce the price disparity between grain and the agricultural and sideline products which have not yet been decontrolled, the production of low-price cash crops will very likely be reduced drastically, and many people will switch to grain crops and the cash crops which have been decontrolled. Since almost all agricultural and sideline products are in short supply in China, we cannot sacrifice those cash crops to solve the grain problem.

**C. Most of the income generated by higher purchase prices will not be plowed back into production.**

Since the prices of major agricultural productive resources are increasing faster than the price of grain, raising the purchase price of grain no doubt can ensure more input into grain production. But today, price is not the main factor keeping the peasants from increasing their input into grain production.

Small-scale production is one of the main characteristics of China's agricultural production at this stage. Because the average peasant household occupies only 8 mu of farmland, it has restricted the peasants' long-term investment in the land (for example, repair the irrigation system, install electrical equipment, invest in farm capital constructions, purchase heavy agricultural machinery, learn to make use of advanced agricultural science and technology). The peasants spend money mostly on chemical fertilizers, pesticides, plastic sheet mulching, small agricultural machinery, and other one-time or short-term investments. (Although in recent years, more and more automobiles and tractors are being purchased, they are mostly for transportation, and at most they serve double-duty to help agricultural production.) Limited by the scale of agricultural production, most funds have been diverted to consumption or non-agricultural productions. In recent years, as the purchase of agricultural and sideline products continues to increase, the peasants have indeed spent more money on agricultural productive resources; however, the amount of money spent on those purchases as a percentage of the income from the sale of agricultural sideline products has decreased (see Table 2). The same situation can be expected after the fixed-quota grain purchase contract price is raised.

**Table 2. Comparison Between the Peasants' Income From Sales of Agricultural Products and Their Input of Agricultural Productive Resources**

	1979	1980	1981	1982	1983	1984	1985	1986	1987
Peasants' gross income from sale of agricultural and sideline products (100 million yuan)	713.6	842.2	955.0	1083.0	1265.0	1440.0	1680.0	1990.0	2367.2
Peasants' total purchase of agricultural productive resources (100 million yuan)	324.0	346.0	347.5	388.5	423.3	477.2	503.6	576.0	705.0
Increase in agricultural productive resources over the previous year (100 million yuan)		22.0	1.5	41.0	34.8	53.9	26.4	72.4	129
Purchase of agricultural productive resources as a percentage of gross income from sales (%)	45.40	41.08	36.39	35.87	33.46	33.14	29.98	28.94	29.76

Since the peasants' investment in agricultural production is concentrated in few products such as chemical fertilizers, pesticides, and mulch, the supply of these products has fallen far short of demand, and this will continue to be a fairly long-term problem. Even if some of the income generated by higher grain purchase price is turned into demand for productive resources, the demand cannot possibly be met.

D. Higher grain purchase contract price will have a serious indirect effect on retail prices.

Only some the expenses entailed in raising the grain purchase contract price will be borne by the central government. The rest will be paid for by the governments in localities bringing in grain from other areas. As a result, there is little pressure on the government to issue more currency, and the direct effect on retail prices is minimal.

But, because grain prices are soaring in China—the market price in 1988 is 17.5 percent higher than in 1987, and pushed by market prices, the composite average purchase price of grain has risen more than 11 percent since 1987. The substantial increase in the overall purchase price of grain has reduced the comparative advantages of oil crops, cotton, tobacco, sugar crops, and other cash crops to below that of the grain crops. If the purchase contract price of grain is boosted in 1989, it not only will push the market price up some more, it will exacerbate the already disproportionate price relations. Based on China's experience with the double-track pricing system in recent years, if state-planned prices go up, market prices will go up too. If the market price goes up by another 10 percent, the overall price of grain in 1989 will be at least 25 percent higher than in 1988. If the price difference between grain and other low-price cash crops continues to increase, it will jeopardize the production of those cash crops, and it will force us to raise their prices too, either at the same time or soon after we raise the purchase price of grain. In fact, because the market price of grain has increased substantially without significant decrease in the hog-grain price ratio, if the market price of grain remains fairly high or even continues to surge, by the end of 1989 or by early 1990, we will be forced to raise the prices of poultry and livestock products, particularly the price of hog.

Under the present inflationary situation, it is beyond the means of the central and local governments to raise the purchase prices of many agricultural products. If we are forced to raise the prices of many more product or print more money to subsidize the people, it will cause the general price level to rise and jeopardize the effort to put the economy in order.

### III. A Few Suggestions

The thrust of the central government's rural task conference suggests that we must "rely on increasing inputs to develop agriculture," and considering the grain production and price problems today, and upon analyzing the pros and cons of raising the purchase price of grain, we suggest that we minimize the increase of the purchase contract price, raise the transfer price instead, and keep the market price down.

A. Raise the grain allocation and transfer price and set up an agricultural development fund.

At present, there is very little difference between the allocation and transfer price and purchase price of grain in this country. The main commodity grain producing regions are unable to increase their financial revenues by producing more grain. Often, the more commodity grain a locality produces, the poorer it tends to be, and the slower its economic development. Under the financial system of "eating in separate kitchens," low allocation and transfer price not only discourages the governments of the commodity grain producing regions from developing grain production but also deprives these regions of sufficient funds to develop grain production, and this has been one of the major causes of the governments at all levels limiting agricultural investments, especially in grain production. Raising the allocation and transfer price of grain and setting up an agricultural development fund can ease the above problem and produce results not attainable by raising the fixed-quota purchase contract price.

1. It encourages both the grain importing and the grain exporting regions to develop grain production.

Today, in China's rural areas, whether the local governments encourage or discourage grain production and how they guide the peasants play a crucial role in grain production. The reduction in grain crop acreage in 1985

and the planting of jute instead of grain in some localities in recent years were affected, not just by prices but, to a greater extent by erroneous government decisions. For example, grain prices in Jilin Province have always been among the lowest in the nation, but its grain production has increased year after year. Beijing has the least comparative advantage in the nation for producing grain, but grain production there has also continued to increase every year. In contrast, in regions where grain prices are fairly high and there is some comparative advantage, grain production has declined. Only after the central government criticized their policy did grain production increase.

Today, when local governments at all levels make investment decisions, they are giving first consideration to whether the investment will increase local financial revenues immediately. A direct result of raising the allocation and transfer price of grain will be to increase the revenues of the regions exporting grain. The state can designate the extra revenue as agricultural development fund. This will not only serve as an incentive to the governments of the major grain producing areas but will also guarantee to some extent the availability of funds. As for the localities that are importing grain, the establishment of the agricultural development fund is comparable to the users investing in the producers. If the sales price of grain remains unchanged, higher allocation and transfer price will directly add to the importing regions' financial burdens, forcing them to make a choice between producing their own grain or importing. Higher transfer price also discourages the major grain importing localities from taking advantage of imported grain to produce more feed grain for live hogs and develop wine-making and other high grain-consumption industries. Moreover, under financial pressure, local governments may be forced to keep the wilderness areas, ruined farmland, and the practice of extensive cultivation under management to strive for higher grain yield and reduce the need to bring in grain from other regions.

## 2. It encourages more agricultural input.

Computation of the sale of agricultural productive resources relative to the purchase of agricultural and sideline products in recent years indicates that at most one-third of the extra income generated by higher purchase contract prices will be plowed back into agricultural production. Yet, if we spend the money earmarked for boosting the fixed-quota purchase contract price on raising the allocation and transfer price of grain instead and also set up an agricultural development fund, and if we use some of that fund, say one-half, to raise the purchase contract price of grain and put one-third of the peasants' extra income generated by the higher purchase price into agricultural production, more than 2 billion yuan can be plowed back into agricultural production, and the government can be in direct control of more than 1.5 billion yuan of that money. This equals to 35-40 percent of the 4 billion yuan invested by the government in agriculture in recent years.

Increasing agricultural input requires the increase of short-term consumption-type input as well as long-term capital input. At present, however, the marginal productivity of capital input is very high. In fact, the peasants have increased their agriculture input rapidly. In the several years since 1984, discounting the higher prices, agricultural input has increased an average of 9 percent a year. In grain production, the input of chemical fertilizers and other materials per mu has increased 8 percent each year (see Table 3). But this high annual rate of increase in input has not brought higher yield to the cultivating industry, especially grain production (in terms of total output or per unit area yield). The sharp fall in the input-output ratio of agricultural productive resources is due basically to inadequate capital investments and the rising disaster rate of agricultural production. The average agricultural disaster rate for the period 1985-1987 has risen to 50 percent from 47 percent during the 1979-1984 period. To raise the input-output ratio of the agricultural productive resources and lower the cost of agricultural production, it is imperative that we increase capital investment, including investments in water conservancy and infrastructure, industries that produce agricultural capital goods, research and promotion of agriculture-related science and technology, and rural education. Under the existing financial and agricultural production systems, the central government must increase direct investments, but more important, local governments must increase input or galvanize effort to increase input. If the local governments have a billion-plus yuan and spend, with the state's guidance, that money on capital investments which the peasants cannot afford, they can accomplish much more than if they just raise the purchase contract price.

Table 3. Comparison of the Cost and Benefit of Grain Production

	1984	1985	1986	1987
Income from sales (yuan/mu)	92.68	94.69	109.71	114.08
Material cost (yuan/mu)	30.08	30.78	32.05	36.06
Net income (yuan/mu)	62.60	63.91	77.66	78.02
Net income as a percentage of gross income from sales (%)	67.60	67.50	70.79	68.39
Amount of chemical fertilizers used (jin/mu)	49.00	55.01	55.26	62.06
Per mu output (jin)	452.00	443.40	462.45	447.17

B. Raise the fixed-quota grain purchase contract prices selectively according to conditions in different localities.

Double-track pricing of grain is not likely to be abolished soon. In an inflationary situation, double-track pricing inevitably will aggravate the disparity between list and market prices as well as regional price differences. To satisfy the needs of different localities and guarantee reasonable profit for the producers while preventing excess increase in the purchase contract price which can

put pressure on the prices of some cash crops, we suggest that we do not rely on raising the contract price as the primary means to narrow the gap between list and market prices, and even if the purchase contract price is raised, it should not be raised uniformly. Whether it should or should not be raised, and by how much, should be discussed and determined by local pricing departments. Money needed to fund the higher purchase prices should be taken out of the agricultural development fund. The total expenditure nationwide should be kept to under one-half of the agricultural development fund. The purchase prices of cash crops under state control may be raised in a similar fashion as necessitated by local conditions, and they should also be paid out of the agricultural development fund.

#### C. Take steps to keep the market price of grain down.

In the situation where there is little or no increase in the grain purchase contract price, in order to prevent the gap between list and market prices from widening and creating new problems in the economy, it is vital that we make every effort to halt further any significant increases in the market price of grain.

The market price of grain has been soaring primarily because the increase in grain production has fallen behind society's greater demand for grain.

To check the surging market price of grain, we need to adopt comprehensive control measures. First of all, the state's commercial departments should put their grain reserves into the market. Today, the central government has arranged to move maize from the northeast to the southern provinces, but we also need to decontrol the local grain markets and open up all circulation channels. If we still fail to stabilize prices, we must sell a portion of the grain reserve at market prices to check the rising market price of grain and guarantee the needs of the livestock industry. Grain production will not decline significantly this year, and as soon as the market price of grain stabilizes or falls, the peasants will offer their grain for sale. We need not worry about a decline in grain reserve in the near-term. Meanwhile, the state must prohibit and crackdown seriously on collusion, hoarding, and speculation and profiteering by people inside and outside of government.

Furthermore, the state should also take administrative measures to limit the output of the small local wineries and also consider reducing the grain ration of residents in the towns and townships. As the supply of non-staple food increases, the urban population's grain ration has eased, so it will not affect their living standard if grain ration is reduced slightly, nor will it become a serious threat to product prices; it will help reduce the need to buy and sell food coupons. We should consider implementation of this measure promptly.

#### D. Perfect the fertilizer-for-grain exchange policy.

To ensure the fulfillment of fixed-quota grain purchase contracts, besides raising the purchase contract price slightly, other measures should be adopted to compensate those peasants who sell grain to the state under the purchase contracts and encourage delivery. To get through the difficult period of inflation in the 1950's, Taiwan adopted a fertilizer-for-grain exchange policy which turned out to be very successful. China's present policy of linking grain to fertilizer sales is similar, but it needs fine-tuning and improvement.

The main problem with the existing linkage system is that too little fertilizer is being offered and so it has not aroused the peasants' interests in the fixed-quota grain purchase contracts. The reason little fertilizer is being offered is due primarily to the fact that China is not producing enough chemical fertilizers. For this reason, besides making every effort to increase the supply of chemical fertilizers, we should reduce the sale of fertilizers in the open market and link more fertilizers to fixed-quota purchases (including the purchase of agricultural and sideline products not yet decontrolled). Priority should be given to guarantee supply to the purchase contracts. This measure will have a positive effect on increasing the production of grain and low-price cash crops. More fertilizers should be linked to the exchanges in low-yield localities with the greatest potential to grow more commodity grain.

The peasants' greatest dissatisfaction with the grain-fertilizer linkage system lies in the continuous increase in the price of fertilizers while the purchase contract price of grain is being kept constant. The prices of fertilizers and other agricultural means of production are soaring primarily because people in the circulation links are charging exorbitant prices. Relevant statistics show that in 1987, nationwide, the price of agricultural productive resources went up several billion yuan as they changed hands, from the county-level agricultural productive resources companies to the peasants. This year the state has announced that it will monopolize the sale of major agricultural productive resources. This undoubtedly will reduce the reckless price increases by the middleman. But the prices of raw materials needed to produce chemical fertilizers, pesticides, and other productive resources have continued to increase too, and so it will be impossible to freeze the prices of fertilizers and pesticides and other products. Thus, we should also consider bartering fertilizers for goods.

Fertilizer-for-goods barter can guarantee that the peasants who sell grain under purchase contracts and other low-price cash crops regulated by the state will not lose money because of higher fertilizer prices. It can facilitate the fulfillment of the purchase contracts. At the same time, bartering reduces the need for the state to issue more currency to purchase agricultural and sideline products. This is particularly important to our present effort to control inflation.



### **New Pension System for Farmers**

*OW1505005889 Beijing XINHUA in English 0551  
GMT 11 May 89*

[Text] Beijing, May 11 (XINHUA)—A new pension system will be gradually established for 130 million farmers whose per capita annual income is 700 yuan or more, today's CHINA DAILY reported.

Government departments have advocated and encouraged the use of the Miaoling Village plan in Dalian City of Liaoning Province, which provides a monthly pension of 208 yuan to those who paid 15 yuan a month for 30 years as a pension investment, the paper said.

The national per capita income of farmers averaged 545 yuan last year.

The paper quoted sources from the State Commission for Restructuring the Economy as saying that many rural industries, which are one of the major sources for high farm income, distribute most of the profits in a welfare system for their workers.

The commodities they granted ranged from sofas to color TV sets, refrigerators, building materials and even houses.

This practice not only has added to the overheated consumption in the nation, but also has neglected the increasingly high percentage of old people in the country and the difficulties of retired people.

The sources also said the commission is joining other state departments in preparing a new pension system for workers in state-owned businesses.

This system will ask all workers to pay part of their wages into a pension fund, which originally was only financed by the state.

The sources said regulations are being drafted for different pensions suitable for collective, private, individual and joint-venture businesses.

A plan of collecting funds by saving before retirement will be adopted, the paper added.

### **Agricultural Research Under Way in Tibet**

*OW2905062689 Beijing XINHUA in English  
0750 GMT 26 May 89*

[Text] Lhasa, May 26 (XINHUA)—Four items of agricultural research results recently passed appraisal by the Tibet Autonomous Region's Scientific and Technological Administration.

"Studies on Varieties of Tibetan Barley," one of the four studies conducted by the Agricultural Science Institute of Tibet, illustrated the distribution of Tibetan barley in the region.

"Demonstration and Popularization of Multi-Place Production of New Varieties of Crops" selected 18 fine varieties in the region after four years of experimentation. This helped bring about a 4.5 million kg increase in crop yield. In addition, it clarified the places that are suitable for the growth of these crops and the techniques of growing them.

"Studies on Vegetable Sclerotium" illustrated the biological characteristics and rules of occurrence of the disease, as well as ways of preventing and curing it.

"Studies on Protection and Application of Botanical Chemicals" found scientific evidence for choosing new varieties of farm chemicals that are suitable for Tibet.

### **Anhui Strives To Improve Agriculture**

*OW3005053489 Beijing XINHUA in English  
0939 GMT 27 May 89*

[Text] Hefei, May 27 (XINHUA)—Anhui Province, one of China's major agriculture centers, will take four measures to ensure the harvest this year, Governor Fu Xishou told XINHUA today.

According to the governor, the first measure is to increase agricultural input, continue improving low-yielding farmland and boost the construction of nearly 100 commercial product bases.

The other measures include stabilizing the total area of grain cultivation, increase the supply of farm production materials and popularize scientific and technological methods.

Anhui was the first province to carry out rural reform ten years ago. During the last decade, the province sold more than 30 billion kg [kilograms] of grain to the government and became one of the five major grain producers in the country.

However, because of low grain prices, increasing prices for farm materials and the reduction in agricultural input and cultivation area, grain output shrank by 4.9 percent compared with the previous year.

Zhou Yueli, an agriculture expert and chairman of the Provincial Agricultural Economy Committee, said that the province now has 65.95 million mu of cultivated land (about 4.4 million ha), of which 70 percent is low-yield farmland.

He said Anhui has plenty of labor and a considerable amount of fallow mountain land. If this land can be brought into production, an annual increase of 350,000 kg of grain could be expected.

The province plans to produce 24 million tons of grain and 1.35 million tons of vegetable oil this year—respective increases of 3.9 percent and 53.2 percent over last year, according to the governor.



**25 Billion Yuan Invested in Agriculture**  
*HK0305121389 Beijing CEI Database in English*  
3 May 89

[Text] Beijing (CEI)—China invested more than 25 billion yuan in agricultural production in the first quarter of this year, and the grain sown area is expected to increase by more than 1.33 million hectares, according to information released by the State Statistical Bureau.

In the first quarter, the state allocated 2.76 billion yuan for agriculture, 31.3 percent up from the same period last year. Investment by local governments also increased.

The peasants' spending on means of agricultural production amounted to some 22.3 billion yuan during the period, a 23.9 percent increase over the first quarter last year.

The grain-growing area will increase 1.2 percent this year compared with that of last year. Summer grain crops increased by 4.3 million hectares, up 1.5 percent; oil crops areas grew by more than 260,000 hectares; and growing areas for vegetables and green manure crops also increased.

In the first quarter of this year, the number of pigs put on the market amounted to 84.02 million head—a 4.5 percent increase. The number of pigs in stock totalled 320 million head, up 4.5 percent over the same period last year.

**Governor Announces Procurement Fund**  
*OW1005115089 Hefei Anhui Provincial Service*  
in Mandarin 1100 GMT 5 May 89

[From the "Provincial Hookup" program]

[Text] During an interview with reporters on 3 May, Provincial Governor Fu Xishou said that the government has prepared 500 million yuan for a procurement fund. The phenomenon of giving a promissory note or receipt that cannot be or is uncertain of being honored or paid, instead of effecting cash payment for procurement will not be allowed to happen again. Fu Xishou said that peasants have complained about the above phenomenon, which occurred in the procurement of farm and sideline products this year. In order to solve this problem, the bank has taken a series of measures. The funds paid for procurement last year have been gradually withdrawn. Half of them are kept in the People's Bank, and the other half in the Agricultural Bank as a reserve to meet the urgent demand for procurement of 500 million yuan worth of grain harvested in the autumn. Funds have been adequately prepared. Peasants may set their minds at ease.

Fu Xishou also said: "Anhui is a province that relies mainly on agriculture. Eighty-five percent of our population is spread over the rural areas. Our success or failure in promoting agricultural development has a

great deal to do with economic and social stability in our province. Some industrial products, including export products, also use agricultural products as their raw materials or are directly manufactured in the rural areas. It would be very difficult for us to develop the economy if we do not work successfully in promoting the development of agriculture ahead of other sectors. Anhui Province provides 3 billion jin of commercial grains to the state every year. It still has very great potential in agriculture. The key lies in how to tap the potential. This year, the provincial government will earmark 30 million yuan for investment in agriculture and irrigation works and another 30 million yuan for investment in technical transformation of small chemical fertilizer factories. In addition, this year, the provincial government is also prepared to impose some additional financial levies of technical development fees on commercial grains that are transferred for distribution to other localities. So far, the provincial government has invested approximately 30 million yuan in agricultural science and technology and has adopted the upgrading of agricultural production with the aid of science and technology."

Provincial Governor Fu Xishou said, "The first two sums of 30 million yuan have been included in our financial budget. The last 30 million yuan cannot be raised until after grain is sold."

**Cash Income of Hunan Peasants Increases**  
*HK1005124889 Changsha Hunan Provincial Service*  
in Mandarin 1000 GMT 9 May 89

[Text] According to a sample survey conducted recently by the provincial survey team, among at least 3,700 peasant households in 37 counties and cities, per capita cash income of peasants in the first quarter of the year was more than 165 yuan—an increase of 28 yuan or 19.02 percent over the same quarter last year. The main reasons for the increase are: first, the increase in cash income from sales of farm, stock-raising and fishery products; second, the increase in income from service trades plied by peasants; and third, the increase in nonproductive cash income.

**Survey Reveals Income Increase for Anhui Peasants**

*OW1105044289 Hefei Anhui Provincial Service*  
in Mandarin 1100 GMT 3 May 89

[Text] According to a sample survey of 3,100 peasant households by a provincial rural survey team, Anhui peasants' per capita cash income was 136.06 in the first quarter of this year, an increase of 32.12 yuan, or 31.3 percent, over the same period of 1987. The actual increase was 6 percent after an adjustment for price rises.

The increase in the prices of farm and sideline products was the major factor for the increase of the peasants' cash income. The per capita cash income of peasants obtained by selling their farm and sideline products was 83.7 yuan, up 25.95 yuan, or 44.9 percent, over the same

period of 1987, accounting for 80 percent of the amount of cash income increase. In addition, peasants' cash income obtained from secondary and tertiary industries and village and township enterprises also increased. [Passage indistinct]

The increase in the prices of grain, cotton, pork, and other major farm and sideline products has inspired the peasants to increase their input in agricultural production. According to a sample survey of 3,100 peasant households conducted by a provincial rural survey team, in the first quarter of this year peasants' per capita cash expenditure for production amounted to 31.83 yuan, up 30.9 percent over the same period of last year, or up 5.9 percent after an adjustment for price increases of the means of production. The survey data also indicated that market information and the law of value were playing an increasingly important role in influencing the peasants' investment behavior. Since the beginning of this year, because of the increase in the prices of pork and other nonstaple foods and because of the shortage of energy and industrial raw and semifinished materials, peasants have increased their investment in livestock breeding. Their investment in fish breeding has also increased by varying degrees, but their investment in secondary and tertiary industries has dropped by 42.7 and 33.8 percent, respectively.

#### **Henan Reports Misappropriation of Farming Capital**

*HK1205050789 Zhengzhou Henan Provincial Service in Mandarin 2200 GMT 11 May 89*

[Text] According to News Center reporter (Zhang Jianbin) and RENMIN RIBAO reporter (Li Erliang), since April the People's Bank and Agricultural Bank in Zhoukou and Pingdingshan prefectures and cities have discovered, through investigating the use of capital for procurement of agricultural and sideline products in counties and districts, that the grain and other departments in some counties have misappropriated large sums of this capital, thus seriously affecting the proper allocation of capital and aggravating the shortage of capital for the summer harvest.

According to the investigation, agricultural loan capital in Zhoukou and Pingdingshan prefectures and cities in the first quarter continued to be in exceptionally short supply. An important reason for this was that certain departments misappropriated the agricultural procurement capital to a serious extent. Results of the investigation on farms at Pingdingshan City showed that the whole city has misappropriated 120 million yuan of this capital and is in arrears in agricultural procurement capital loans to the tune of 140 million yuan.

By the end of the first quarter, the grain department of Huaiyang County in Zhoukou Prefecture had taken out 50 million yuan in agricultural loans, yet the grain and oil in stock represented only 21.01 million yuan. Over 42 percent of the capital for agricultural procurement has

been misappropriated. The grain administration office of this county has spent 1,511,000 yuan on capital construction and on handling wine, tobacco, and so on.

According to the Shangshui County branch of the People's Bank, the phenomena of many loans, small grain stocks, and misappropriation of agricultural procurement capital exist everywhere in the county's grain system. At least 600,000 yuan of agricultural procurement capital cannot be properly allocated. The grain administration office has misappropriated 2.2 million yuan of the capital, including 150,000 yuan used for buying cars, 339,000 yuan for buying woolen clothing, and 428,000 yuan used to make up for enterprise losses. Some 1,685,000 yuan in par loans for grain and oil have been used to procure edible oil at negotiated prices and to repay negotiated price loans.

A responsible person concerned at the Henan branch of the People's Bank of China pointed out that the phenomenon of misappropriation of agricultural procurement capital is universal among many units holding agricultural loan capital. Moreover the sums involved are huge. In particular, the grain and tobacco departments have a shallow concept of strictly observing discipline and rationally using the agricultural procurement capital. In the face of the current grim shortage of agricultural procurement capital, it is imperative to have a sense of crisis. He hoped that the sectors concerned will immediately tackle the problem in a comprehensive way and formulate resolute measures for decisively recovering the misappropriated agricultural procurement capital. Otherwise, blank chits will again have to be issued to the peasants during the imminent summer grain procurement.

#### **Drought Threatens Liaoning Agriculture**

*HK1105115789 Beijing CEI Database in English 11 May 89*

[Text] Shenyang (CEI)—Drought is getting worse in Liaoning province, affecting more than 213 million hectares of farmland, making up 61 percent of the total in the province. Grain yield will drop this year according to preliminary estimates.

Almost all the rivers in western Liaoning have dried up. Most of the rivers in the central area are drying. The flow of the Liaohe, Hunhe and Taizi river systems has dropped to the lowest point. In two fifth of fields, corn and sorghum seeds could not be sowed because of drought. More than 660,000 hectares of rice field were short of water.

Specialists said that Liaoning has suffered drought for two consecutive years since 1987. Drought this year is more serious than that in 1972. The provincial government has spent 40 million yuan in fighting drought.

**Aquatic Farming Output Exceeds 'Total Haul'**  
*HK0905123189 Beijing CEI Database in English*  
9 May 89

[Text] Beijing (CEI)—China's aquatic farming production has for the first time exceeded the total haul, reaching 5.32 million tons by the end of 1988.

China's aquatic farming area has reached 4.31 million hectares, of which 410,000 hectares are for sea-farming, 44,000 hectares more than in 1987.

Last year, prawn production was 54,000 tons, 58.8 percent up over the previous year.

**Foreign-Invested Projects Boost Fertilizer Production**  
*HK1005120789 Beijing CEI Database in English*  
10 May 89

[Text] Beijing (CEI)—China has recently approved 10 foreign-invested synthetic ammonia production projects in its drive to boost its fertilizer production. These ten

projects will be constructed in Inner Mongolia, Jiujiang of Jiangxi, Jilin, Nanjing, Dalian, Jingxi, Hejiang and Fuling of Sichuan, Shandong and Shaanxi. They are expected to have an annual production capacity of 2.9 million tons of synthetic ammonia and 4.22 million tons of urea after completion. These projects may involve a total of 1.1 billion U.S. dollars of loans from Asian Development Bank and government loans from Japan, Italy, France and Federal Germany. The Ministry of Chemical Industry has also decided to carry out some phosphate fertilizer production projects, including phosphate mine and phosphate fertilizer production projects with a loan of 137 million dollars from the World Bank. These projects will be built in Guizhou, Guangdong, Yunnan, Guangxi, Gansu, Shandong and Jilin province. After completion, these projects are expected to turn out 1.96 million tons of double superphosphate, 0.42 million tons of phosphate ammonia and 0.32 tons of nitric acid phosphate fertilizer a year. According to the Ministry of Chemical Industry, China uses over 20 million tons of chemical fertilizer every year, of the total, 10 to 20 percent are imported.

### Self-Reflection of Intellectuals Analyzed

40050360 Hong Kong CHENG MING

[CONTENDING] in Chinese No 137, Mar 89 pp 66-67

[Article by Wan Quanzhou 8001 3123 5297: "Self-Reflection by Mainland Intellectuals"]

[Text] Mainland intellectuals have gone through 40 years of frustration and suffering, especially the pain of going from hope to disappointment over the past 10 years of reform and opening, and now, recalling their bitter experience, they are beginning deeply significant self-reflection. The various reflective articles which have appeared in various newspapers and periodicals in the past year or two are a manifestation of this new trend in the political thought of mainland intellectuals. This reflection has covered an extremely wide range, beginning with reflection on historical culture, and extending most recently to reflection on the issue of intellectuals themselves, or self-reflection. These reflections, whether they are actual or historical, social or personal, are unprecedented in breadth and depth in the past 40 years.

The phenomenon of reflection by intellectuals is a common occurrence after the ebb or failure of certain social movements.

#### "We Need an Interrogation of the Soul"

The current self-reflection by intellectuals is primarily in two areas. The first is reflection on whether intellectuals have an independent character; the second is reflection on the participation of intellectuals in politics. These two areas were the focus of the "First Conference on the Issue of Intellectuals" held in Beidaihe in the second half of the last year. The issue of the character of intellectuals appears even more conspicuous and sharper since the panel discussion "Reflections on the Literary and Artistic Thought of Hu Feng [5170 7364]" held in Beijing last year by the "Literary Criticism" editorial board of the Chinese Academy of Social Science's Literature Institute, as well as later didactic articles centered around the Hu Feng incident.

Liu Zaifu [0491 0375 1788] stated that Hu Feng was an outstanding literary theorist, critic and poet in modern Chinese history who had great individuality and social zeal. However, reflections by cultural circles on Hu Feng have focused not on this literary and artistic thought, but rather on his independent character. Many scholars have stated that "in the ranks of China's literary and artistic theory, Hu Feng was the first critic to have an independent consciousness," and "Hu Feng's cultural temperament is worth serious study." The panel discussion reviewed the serious negative consequences of the rude treatment of Hu Feng 30 years ago, not only in hopes of improving the spiritual environment of China's intellectuals and achieving spiritual liberation, but also in hopes that China's intellectuals would participate in social modernization undertakings in the spirit of independence and responsibility during the period of reform and opening.

Some scholars, with bitter hatred toward the tragedy caused by the betrayal of a friend in exchange for high position and hitting a person when he is down, which were committed by certain intellectuals in the Hu Feng incident, loudly cry "we (i.e., intellectuals) need an interrogation of the soul," and believe that all real intellectuals are bearers of tragedy. Prediction by intellectuals of the truth of an era requires enduring the tragedy caused by the backwardness of the era. In 1955, a highlevel intellectual violated a rudimentary standard of civilized life by bringing to light everything that Hu Feng had privately confided to him over many years, allowing the RENMIN RIBAO (it was actually Mao Zedong, a fact which is still avoided as taboo on the mainland to this day) to manufacture the first material of the so-called Hu Feng "counterrevolution case." Later, more and more intellectuals rushed headlong into mass action, "throwing rocks into the well" one after another (in Ba Jin's [1572 6855] phrase) and vying with one another to publish articles attacking Hu Feng. Some say that they were forced to do this against their wills, and ask forgiveness for the dishonorable acts committed by intellectuals under extreme pressure.

#### We Must Have an Intelligentsia with Independent Consciousness and Character

But how does Hu Feng contrast with this? In the summer of 1966, he was a convict subjected to the pressure of hanging between life and death in prison, and yet he stood up to the pressure of an extended sentence and even being sentenced to capital punishment, and refused to expose Zhou Yang [0719 2254], who had long had a grudge against him, maintaining the conscience of an intellectual. This should make those so-called "intellectuals who spoke against their will" to feel to ashamed to show their faces.

In the wave of reflection, there are also those who advocate the excellent tradition of not being seduced by wealth, not being swayed by poverty, and not being subdued by force. The economist Ma Yinchu's [7456 1377 0443] adherence to independent character and academic dignity has won universal praise. In the fall of last year, his character was praised in print in Beijing. In the mid-1950's, he had put forward a new population thesis centered around birth control and improving the quality of the population, as well as a theory of a comprehensively balanced, proportionally developed economy, but was criticized as a so-called "anti-party anti-socialist." He was already nearly 80 at the time, and still persisted in adhering to his own theory. In January 1960, he publicly issued a statement in New Construction, "Although I am nearly 80 years old and am clearly hopelessly outnumbered, I will certainly go to war single-handedly and fight to the death, and will never surrender to those critics who coerce by force rather than persuade by reasoning!"

### **Do Chinese Intellectuals Have an Independent Character?**

At the First Conference on the Issue of Intellectuals, scholars, in connection with the issue of the past participation in politics by Chinese intellectuals, engaged in a heated debate on whether intellectuals had an independent character, and how they could have an independent character.

Some scholars believed that Chinese intellectuals traditionally had a strong participatory spirit, but that over the long course of participation they had come to identify their own character with that of the Emperor, and lacked the independent character which they should have had as a class, with the result that they had become a tool of authoritarianism. What was needed now was the existence of an independent character of the Chinese intellectual class as a class.

However, other scholars disagreed, and thought that the intellectuals, who had been molded by Confucian traditions, had a very independent character. This was proven by many instances of confrontation between intellectuals and the Emperor, from "burning the books and burying the scholars" to the Dong Lin Academy of the Ming Period. After the emergence of Confucian doctrine, China's intellectuals had a spirit of independence, and whether they served as the emperor's teachers or as his courtiers and bureaucrats, it was Confucianism and not the Emperor that they followed. What are known in history as "loyal officials," too, are those who were loyal to Confucianism. Conversely, those who blindly obeyed the Emperor and tried to curry favor with him are known as "treacherous officials." The former were loyal to a spirit and a unified moral and political standard. This is what the overseas scholar Yu Shiyong [0151 2514 5391] has called "a consciousness obedient to morality rather than to the sovereign."

However, some scholars carry their analysis one step further and point out that this so-called "morality" is itself without independence. So-called independent character is an individual spirit of reason in subjective consciousness. This is precisely what Chinese intellectuals in past ages did not have. The a priori "morality" which they accepted was a form of mass reason. Moreover, China's intellectuals had no independent economic and cultural force. After they entered political circles, no matter how independent their consciousness had been to begin with, they ultimately either changed into tools of the Emperor or made a Hai Rui [3189 3842]-style sacrifice.

### **They Should Play the Role of Independent Supervision Outside Politics**

There are also differing opinions regarding the relation between the intellectual class' maintenance of its independent character and its participation in politics. One opinion holds that aside from intellectuals in the academic sense, who should go into politics, specialized

intellectuals have a strong spirit of specialization, and should put more emphasis on participation in the spirit of specialization, and need not go into politics. The psychological fixation of traditional literati and officials which had formed over several thousands of years is that participation implies ordering the state and pacifying the kingdom, and requires direct obedience to the government; as a result, they became tools of autocratic politics. Unless there is a powerful intellectual class with a spirit of specialization playing the role of independent supervision of public opinion outside politics, those intellectuals who believe themselves to possess independent consciousness will inevitably change after they enter the bureaucratic system. China is still a highly unified social order with political authority as its core, and rather than allowing a large number of outstanding intellectuals to go into politics, it would be better to allow them to establish an independent force of intellectuals outside the political system, in order to play the role of restraining and balancing the great unified domain which has been formed over several thousand years.

However, another opinion holds that intellectuals do not necessarily change after entering the bureaucratic structure. It holds that they can maintain their independent character even if they enter officialdom; otherwise, they are not intellectuals, since a characteristic of intellect is transcendence. Some scholars believe that the entry of intellectuals into the bureaucratic system will bring a new atmosphere. However, they must maintain their vitality, and not only must we constantly bring in intellectuals with independent minds, it is even more important that an independent intellectual class exist in society.

### **Young Monks Seek Broader Education** *OW3005041689 Beijing XINHUA in English* 0052 GMT 27 May 89

[Text] Kunming, May 27 (XINHUA)—To gain a wider education than they acquire in temples, some 2,000 teenage monks and 20 Buddhas attend primary and middle schools in the Xishuan Banna Autonomous Prefecture of the Dai nationality in Yunnan Province.

The prefectural Buddhist Society says the Dai and Blang ethnic people in the prefecture believe in Buddhism and by custom send boys aged seven and eight to serve as monks at temples, which teach them only the Dai language and Confucian classics.

When they resume regular life after three to five years of service, their general knowledge is not as good as that of children of the same age who attend school.

As they are older than their classmates, many feel embarrassed and discontinue their study, thereby retarding the progress and development of their ethnic minorities.

To boost local education, the leaders of ethnic minorities are cooperating with educational departments to persuade their people to send their children back to school.



Many schools teach children to respect monk pupils and some have offered them special classes.

Dao Tingrong, an official of Menghai County, has helped to open a special school for monk children in his hometown, which has no middle school graduates.

The school has enrolled more than 80 monk children and offers them such subjects as the Han and Dai languages, English, mathematics and a general knowledge of farming.

### **Living Buddha Helps Solve Disputes**

*OW2805012389 Beijing XINHUA in English 1340  
GMT 27 May 89*

[Text] Lanzhou, May 27 (XINHUA)—Famous living Buddha Gungtangcang Danbetwangxu has helped solve disputes among people, develop education, and strengthen unity among all nationalities.

Dangbeiwangxu, 62, is the sixth Gungtangcang living Buddha of the Lapuleng Monastery in Xiahe County, Gansu province.

Disputes over boundaries are common in the border areas of Sichuan, Qinghai and Gansu and, in fact, border areas between most prefectures and counties.

Entrusted by the Gansu provincial government, the living Buddha has helped solve six major border disputes

between 1981 and 1988. To put an end to some chronic disputes, Danbeiwangxu talked with local officials and villages day and night without rest on Sunday or other holidays.

He disseminates information on the significance of education while preaching among herdsmen in South Gansu since 1979, he has donated most of the 200,000 yuan (54,000 U.S. dollars) given to his monastery in alms to build primary and middle schools.

He even donated half of the 40,000 yuan (nearly 11,000 U.S. dollars) he received in government compensation for the dismantling of his house to the Tibetan autonomous prefecture of Gannan, in order to sponsor an educational foundation. Seeing that many herdsmen sleep in the open when they pass the provincial capital Lanzhou, Danbeiwangxu cooperated with a local company to set up a "home for herdsmen" between 1983 and 1989. Since 1987, he has bought more tents and also opened a tent-hostel for herdsmen.

He also publicizes the importance of unity among Tibetans and between Tibetans and other nationalities. After riots occurred in Tibet in October of 1987, he served as a senior adviser to the late Banqen Lama and worked in Tibet for a month.

The living Buddha has also contacted his Tibetan friends and relatives residing in the United States, Canada, Switzerland, India, Nepal, and Japan to solicit money for the development of local industry and services.

## EAST REGION

### Jiangxi Governor Sends Letter to University Students

OW1105074889 Nanchang Jiangxi Provincial Service  
in Mandarin 1000 GMT 4 May 89

[Text] On the eve of the 70th anniversary of the May 4th Movement, (Fu Jingheng), a student of class no 88 at Jiangxi University, jubilantly received a personal letter from Governor Wu Guanzheng. (Fu Jingheng) and his classmates were happy to read the governor's letter, which has deepened the understanding of the people of two different generations, narrowed the gap between the governor and the college students, and helped the students who seek to carry forward the May 4th spirit enhance their confidence in building Jiangxi.

During the past few days, an increasing number of students in Jiangxi University have been studying even harder than ever before.

(Fu Jingheng), who is 19 years old, majors in biology with a speciality in microbiology in Jiangxi University and is secretary of the Communist Youth League branch in the university. In early April when he was making preparations to mark the 70th anniversary of the May 4th Movement, an idea to conduct a dialogue between the governor and college students cropped up in his mind. He thought: Through this dialogue, the governor would be able to understand what the students are thinking and worrying about on the most popular topics, on the current situation, and on issues of how to rejuvenate Jiangxi. Also, through this dialogue, the students would understand what the governor is thinking and doing. Therefore, (Fu Jingheng) wrote a letter to the governor. However, after mailing the letter, he felt that he had done something which had no certainty of success.

To his surprise, he received a personal reply from comrade Wu Guanzheng on the morning of 27 April. In his letter, Wu Guanzheng introduced the economic developments in Jiangxi and the difficulties with which the nation is now confronted. The governor also introduced his own experience as a student. He told the students that he himself was a student for 21 years and came from a poor peasant family. The party and the people had educated him. Therefore, he worked and studied hard. In his letter, he said that one must remain humble even if he holds a high official position, and must show concern for the people. He expressed the hope that his remarks would help students learn how to conduct themselves in society. In his letter, he also urged the college students to study hard the RENMIN RIBAO editorial, heighten their awareness, refuse to be taken in, oppose disorder, and resolutely maintain the political situation of stability and unity. He also called on them to work hard for the interest of the people.

(Fu Jingheng) told our station reporter that he and his classmates have been greatly inspired by Governor Wu

Guanzheng's letter. He said: Compared with the time when the Governor was young, the nation has now provided us with much better conditions under which to study. We young students have profound affection for our motherland and hometowns. We have no reason not to study and learn hard. (Fu Jingheng) and his classmates believe what the governor had said that we will definitely be able to overcome difficulties so long as we join our efforts, take the overall situation into consideration, maintain a stable social environment, and bring into full play the spirit of hard work.

## CENTRAL-SOUTH

### Results of Poll Reveals Impressions of City Government

HK1905093389 Beijing ZHONGGUO XINWEN SHE  
in Chinese 0327 GMT 17 May 89

[Report by Mo Fei (5459 7236): "Guangzhou Residents Make Open Comments on the Image of the City Government"]

[Text] Guangzhou, 17 May (ZHONGGUO XINWEN SHE)—A public opinion poll shows that Guangzhou residents are making open comments on the image of the Guangzhou City Government. This poll is presumably the first of its kind in mainland China.

Conducted among more than 500 local residents of various sectors by the Guangzhou Social Conditions and Public Opinion Center, the poll reveals that the public has a fairly good image of the Guangzhou City Government and appraises relatively highly the city government's decisionmaking abilities and its work performance. However, the public gives "ordinary" remarks on its style of work and its level of democracy. They give the lowest ratings to its efficiency and honesty in performing official duties: Only 30 percent of them give positive remarks on its efficiency; and less than 30 percent of them give positive remarks on its honesty.

As discovered in the survey, communication is lacking between the city government and the residents, and the transparency of the government's work and activities still needs to be increased.

The conclusion drawn from the survey should be pointed out in particular: The public has a rather poor image of the government functionaries. Of the people who were asked their opinions, 57.7 percent "detest making contacts with government officials and avoid approaching them as far as possible"; 73.1 percent say that "nowadays it is very difficult to ask a government official to do something without giving him personal gains." With regard to the trends, 37 percent of the people interviewed hold that "the phenomenon of city government officials getting involved in unhealthy practices and abusing power for personal gains has become more and more

serious"; and 79 percent say that "the unhealthy practices existing among city government officials can hardly be wiped out within a short time."

The results of the poll show that in order to improve its image, the Guangzhou City Government must face up to the "image crisis" of its functionaries and produce results in maintaining its cleanliness and raising its efficiency.

### Meeting Stresses Education Reforms

HK0905061989 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 9 May 89

[Excerpts] Xie Provincial Party Committee Deputy Secretary Xie Fei pointed out at the provincial conference on reforms of ordinary education, which concluded this morning, that it is essential to rely on reforms to develop education in Guangdong and ensure that it joins China's advanced ranks. [passage omitted]

Xie Fei pointed out that the general goal in developing education in Guangdong for the end of the century is to form a scale, level, and structure of education suited to economic and social development, establish a system in which government running of schools is the dominant factor while all sectors of society also run schools, basically establish an educational setup suited to the development of socialist commodity economy, set up a number of key subjects and backbone schools, and universally improve the quality and level of education.

At present the main tasks of education in the province are to strive to make a success of eight items of work, including developing preschool education, introducing the 9-year compulsory education throughout the province, firmly eliminating illiteracy, readjusting the education structure, improving the conditions for running schools, building up an adequate teaching corps of relatively good quality, increasing spending on education, reforming the schools' internal administrative setup, and so on.

### Social Issues Debates Growing in Popularity Among Students

OW1805165689 Beijing XINHUA in English 1348 GMT 18 May 89

[Text] Beijing, May 18 (XINHUA)—Debate on major social problems has become the most popular extracurricular activity among college students in Guangzhou nowadays, the "YANGCHENG EVENING NEWS" reports.

Campus walls are covered with debate notices. Debate shows on television always attract large audiences.

Students no longer follow the previous simple life pattern—dormitory-classroom-library. They discuss state affairs and social problems in dining halls and dormitories.

Almost all the universities in Guangzhou have formed their own debate teams over the past couple of years. Some of them have travelled to other provinces for debates with people in other walks of life.

The Guangzhou-based paper quotes a student as saying: "Debate provides us with an opportunity to discuss state affairs, and helps us to get a better understanding of the actual condition of China."

Another student said: "During a debate, we see that we have much the same feelings as local people on many topical subjects."

A college professor said: "From debates, we can see what the students are thinking and worried about."

"No matter whether they win or lose the debate, the students express their views with their knowledge. Many look up theoretical books and material to support their viewpoints."

A provincial library clerk said the majority of students visiting the library are preparing for debates rather than writing papers.

A student, considered by his friends as having a silver tongue, said that for attending a debate on whether to carry forward the spirit of Lei Feng, a selfless soldier popular in the 1960s, he had read much material and visited a great number of people, including scholars, workers and private businessmen.

"The debate," he said, "made us realize that everything divides into two."

### Hainan Cracks Down on Crime

OW0305060889 Beijing XINHUA in English 1401 GMT 1 May 89

[Text] Haikou, May 1 (XINHUA)—Hainan, China's youngest province, has arrested 5,800 criminals and smashed 623 criminal gangs since its third major campaign to crack down on crime began last August.

Thousands of people poured into the newly-established province when it became China's 5th special economic zone last year. Among them were many criminals, who took advantage of the fact that it had not had time to establish an effective legal system.

To curb them, the province—while losing no time in establishing a strong legal system—launched three anti-crime campaigns, which have greatly improved the social environment.

In the past year, 553 major cases have been tried. The courts have sentenced 904 criminals, 41 of whom received the death sentence.

The campaigns have been so effective that more than 500 criminals have given themselves up to the police.

**Definitive Measures Against Nepotism Taken**  
*OW1305050089 Beijing XINHUA in English 0643*  
*GMT 10 May 89*

[Text] Beijing, May 10 (XINHUA)—The newly-established Hainan Province has taken measures to avoid nepotism in the appointment of local cadres, said today's "PEOPLE'S DAILY."

With an area of 34,000 sq km and a population of 6.15 million, many local cadres have connections with each other in the province.

The paper said that in one county's public security bureau 60 percent of the policemen have various connections with the bureau head.

In order to stamp out nepotism, the provincial government has decided to take measures across the whole province in accordance with relevant regulations issued by the central authorities.

First of all, county-level and city-level cadres are not allowed to work in their place of origin.

Party and administrative cadres are not allowed to have their relatives work in key departments such as the general office, the organization, finance, and personnel departments, or the public security bureau under the leadership of party and administrative cadres. Party and administrative cadres should not get involved in government affairs related to themselves and their relatives, and they should not exert their influence to affect their relatives' careers, the paper added.

The paper said the province is the first in China to make these definite regulations against nepotism, and 32 leaders at the county level will be transferred by the end of this year, according to the regulations.

**Leader Stresses Maintaining Social Stability**  
*HK0605022989 Haikou Hainan Provincial Service*  
*in Mandarin 1000 GMT 5 May 89*

[Excerpts] Yesterday morning, the Hainan Provincial Communist Youth League Committee held a forum to mark the 70th anniversary of the May 4th Movement and to commend 10 [work indistinct] in building the Hainan special zone.

Hainan Provincial CPC Committee Secretary Xu Shijie delivered a speech entitled "Carry Forward the Spirit of the May 4th Youth Movement and Dedicate Your Youth to Building the Hainan Special Zone." He said: Preserving social stability is the precondition for opening up, reform, and construction. Young people must bear the overall situation in mind, preserve and develop the political situation of stability, unity, democracy, and

concord, and create a good social environment for building the special zone. [passage omitted]

He said: At present the common ideal of the whole nation is to accomplish the four modernizations and invigorate China. Young people must summon up great will, engage in arduous pioneering, establish the correct path of life, and be a generation of new people in building the special zone. [passage omitted]

**NORTHEAST REGION**

**Heilongjiang Work-Study Program Income Increases**

*SK0205073489 Harbin Heilongjiang Provincial Service*  
*in Mandarin 2100 GMT 1 May 89*

[Summary] Heilongjiang Province's total income earned from the work-study program enforced by the middle and primary schools throughout the province in 1988 reached 160 million yuan and per student income reached 25.08 yuan. The province's income in this regard ranks sixth in the country and its per student income ranks seventh in the country. The yearly average increase of work-study program incomes has reached about 20 percent since 1985. The province's income accumulated over the past 4 years reached 485 million yuan, of which 256 million yuan were used for educational subsidies and equal to the additional funds appropriated by the state during the period. By the end of 1988, there were 19,200 middle and primary schools throughout the province, which had enforced the work-study program and accounted for 92.4 percent in the total number of middle and primary schools in the province.

**Government Inspects Prices**

*SK0605084589 Changchun Jilin Provincial Service*  
*in Mandarin 2100 GMT 4 May 89*

[Text] The Jilin provincial people's government has organized eight inspection groups which from 5 May on will directly go far into various localities throughout the province to inspect the prices of daily necessities.

The focal points of inspection activities are to inspect the prices of 21 daily necessities, to consolidate the exceeding number of wholesale links, to curtail the phenomena of raising prices arbitrarily in the retail link, to conduct direct inspection over a number of units which have violated price discipline and to handle their mistakes, to inspect and learn about the work undertaken by governments at all levels in implementing the measures put forward by the provincial people's government on bringing commodity prices under control, and to further put forward the measures and opinions of bringing commodity prices under control.

The provincial people's government has attached the greatest importance to the inspection activities. Governor Wang Zhongyu and Vice Governor Gao Wen have

taken personal charge of the activities. They appointed leading personnel of the Provincial Chinese People's Political Consultative Conference Committee and responsible persons of various democratic parties as leaders of the groups and leading personnel of the relevant departments and bureaus as deputy leaders of the groups. Also assigning their backbone personnel to join in the inspection groups were the price bureau, the industrial and commercial bureau, the commercial department, the grain department, the metrological bureau, the supply and marketing cooperative, the trade union, the Chinese Youth League Committee, and the women's federation.

On 4 May, Governor Wang Zhongyu and Vice Governor Gao Wen sponsored a mobilization meeting with the participation of staff members of the eight inspection groups. During the meeting, Wang Zhongyu delivered a speech in which he stressed: Bringing commodity prices under control constitutes an emphasis of current work. Problems concerning commodity prices are not only an

economic matter, but also a political one as well. Problems which have been exposed should be strictly dealt with. We should handle one by one the cases which have been committed whether by state-run enterprises or by collective-run ones.

Gao Wen also delivered a speech in which he stressed that it is necessary to adopt every possible means to maintain the good trend of stabilized market prices, to refrain from arbitrarily raising the prices of 21 daily necessities or raising them in disguised form, to adequately raise the purchase prices of 6 major vegetable products and refrain from raising the sale prices of them, to do a good job in grasping grain supply, to enhance market management, to resolutely check the dishonest transaction and fake commodities, and to pay attention to summarizing good experiences and typical cases which have emerged in the inspection activities. He urged the inspection groups to carry forward the fine work style of performing official duties honestly while engaging in inspection activities.



### Lawyers To Play Growing Role

HK1605063389 Hong Kong ZHONGGUO TONGXUN  
SHE in Chinese 0415 GMT 13 May 89

[Report: "Lawyers To Play an Increasingly Important Role in Nongovernmental Affairs Between Both Sides of the Strait"—ZHONGGUO TONGXUN SHE headline]

[Text] Hong Kong, 13 May (ZHONGGUO TONGXUN SHE)—According to news from Taipei, a law governing relations among the people on both sides of the strait is being drafted. Some articles of the law show that the Taiwan authorities are seeking various nongovernmental channels to handle people-to-people affairs between Taiwan and the mainland. When the legislative procedure on these articles is completed, lawyers on both sides of the strait will play an increasingly important role in these affairs.

Taiwan's HSIN-SHENG PAO [New Life Daily] holds that, according to the present Taiwan policy, common people cannot seek help from the "government" on issues involving legal lawsuits. They can only resort to lawyers. Moreover, following frequent contacts among the people on both sides of the strait, the legal problems deriving from these contacts have become increasingly complicated. Therefore, cooperation in legal affairs between Taiwan and the mainland will become a natural trend, and the functions of lawyers will also be increasingly apparent.

It has been learned that the "Weili Lawyers Office on Affairs Between Both Sides of the Strait," a product of cooperation among lawyers on both sides of the strait, has gone into operation. Legal personnel here have pointed out: Because nongovernmental contacts, as well as economic and trade relations, between both sides of the strait have increasingly developed, lawsuits among the people will also increase. The number of lawsuits handled by mainland lawyers on behalf of Taiwan businessmen have increased day by day. Moreover, the mainland side has also recognized the qualifications of Taiwan lawyers and allowed them to engage in legal business on the mainland. Therefore, with the Taiwan mainland policy becoming more open, the frequency of legal affairs contacts between both parties will increase.

### Scholars Attend 4 May Movement Seminar

OW1105134589 Beijing in Mandarin to Taiwan  
1500 GMT 4 May 89

[Text] On 4 May, 13 Taiwan scholars attended an academic seminar at the guesthouse of the (Xiangshan) Sleeping Buddha Temple in Beijing. The seminar, attended by scholars from both sides of the Taiwan Strait, will last for 3 days. This is the first time that Taiwan scholars have come to take part in an academic discussion on the mainland.

Participating scholars from both sides of the Taiwan Strait will focus their discussion on the theme of tradition and modernization on the occasion of the 70th anniversary of the 4 May Movement.

At the opening ceremony, Professor (Gong Pengcheng) of Danjiang University, spoke on behalf of the 13 Taiwan scholars. He said: We have come to the mainland to attend this seminar in the hope that we will solve some problems remaining since the 4 May Movement via exchanges and discussions among scholars from both sides of the Taiwan Strait. We hope that scholars from both sides of the Taiwan Strait will march hand in hand toward the 21st century.

The seminar was co-sponsored by the Literature and Foreign Literature Institutes under the Chinese Academy of Sciences and Danjiang University in Taiwan. Altogether, 55 mainland and Taiwan scholars are taking part in the seminar.

At a press conference prior to the opening of the seminar, Gong Pengcheng said that the significance of this seminar far exceeds that of those that took place in the 1930's and 1940's, whether viewed the present or history. He said that there should not be any obstacles to cultural exchanges across the Taiwan Strait.

### Mainland, Taiwan Scholars Hold Discussions

OW1205121689 Beijing in Mandarin to Taiwan  
1500 GMT 7 May 89

[Text] A 3-day symposium in which scholars from the two sides of the Taiwan Strait discussed the issue of tradition and modernization closed in Beijing on 6 May. Scholars at the symposium said: We are meeting here to search for what we have in common by treating each other sincerely and affectionately.

Scholars from the two sides of the Taiwan Strait engaged in comprehensive discussions of traditional culture and modernization during the symposium.

At the closing of the symposium, (He Xilan), a mainland scholar, and (Zhou Zhiwen), a Taiwan scholar, presented a summary report.

(He Xilan) said that participants at the symposium had discussed in depth how modern China should treat tradition and pursue modernization, adding that although mainland and Taiwan scholars have a wide divergence of opinion on some issues, they remain able to provide complementary support to each other.

(Zhou Zhiwen), who represented scholars from Taiwan, said that he would like to see more of such cultural exchanges in the future.

**Official Advocates Exchange of Economic News  
With Taiwan**

HK1005035089 Beijing CHINA DAILY in English  
10 May 89 p 3

[CD News]

[Text] Economic news should be exchanged more between China's mainland and Taiwan, a vice-chairman of the Chinese People's Political Consultative Committee said on Monday in Beijing.

Such exchanges would deepen mutual understanding of the two sides, Cheng Siyuan said in an interview with three reporters from the TAIWAN ECONOMIC DAILY in the Great Hall of the People.

He said it was also a good idea to have symposiums on the economic development of the Asian-Pacific area

because they would promote economic exchange between Taiwan and the mainland.

Foreign and Taiwan investors will not be influenced by the current economic retrenchment policy adopted by the Chinese mainland, he continued. China's economic policy regarding foreign investment has continuity and stability.

Cheng said the rumour which said that the central government had abolished its 22 regulations favourable to Taiwan investors was not true. The government has been sticking to the policy and is going to develop it soon.

The three Taiwan reporters, You Meiyue, Xu Yunteng and Zhang Yigong, came to Beijing to cover the 22nd annual meeting of the board of governors of the Asian Development Bank. The leaders of the mainland ECONOMIC DAILY also expressed their hope for exchanges with the TAIWAN ECONOMIC DAILY.